

To qualify for the exemption the veteran service organization must have received a 501(c)(19) status of the United States Internal Revenue Code. However, not all of the posts within the organization automatically qualify for the status. A post must meet the criteria for the qualification and apply individually, if it is not already under a group exemption.

HB 153 also requires that an organization’s charitable activities constitute a majority of its overall activities in order to qualify for the exemption. Currently, the charitable activities of these organizations are not being tracked. Therefore, **the impact of HB 153 on city and county tax revenues is unknown.**

The bill provides a city and county property tax exemption for all of the property owned by a qualifying veteran service organization. City and county property tax rates vary from one taxing jurisdiction to another, thus the fiscal impact on the tax revenues of each city or county will also vary. HB 153 does not preclude the state, school districts, or special purpose governmental entities from assessing property taxes on the property owned by the veteran service organizations. Therefore, **HB 153 is not expected to impact the tax revenues of the state, school districts, or special purpose government entities.**

Property tax assessments are figured into the annual computation of property tax rates (performed as a result of “House Bill 44”). Local taxing jurisdictions are allowed to impose a compensating tax rate on real property, which is the rate that will generate approximately the same amount of revenue as was collected in the prior year. The effect of this rate calculation is that if the total assessment of taxable property within a jurisdiction is reduced, a local taxing jurisdiction may impose a higher compensating tax rate, which would be applied to all taxable property. Therefore, a locality could possibly mitigate a reduction in revenues by levying the compensating tax rate, effectively shifting the tax burden to other properties. The unintentional consequence of shifting the tax burden may result in an increase in tax collection issues, especially in counties that already have a struggling economy. An increase in unpaid tax bills will result in decreased revenues for local taxing jurisdictions.

HB 153 is expected to have a minimal impact on local expenditures, as a verification method will need to be developed and administered to confirm that the organization’s charitable activities constitute a majority of the its overall activities.

Part III: Differences to Local Government Mandate Statement from Prior Versions

The Part II section above pertains to the bill as drafted and there are no prior versions of the bill to complete the Part III section.

Data Source(s): LRC A&R; LRC Economists; Kentucky Department of Education

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