Local Government Mandate Statement Kentucky Legislative Research Commission 2019 Regular Session

Part I: Measure Information

Bill Request #: 1136						
Bill #: 173						
Document ID #: 1993						
Bill Subject/Title: AN ACT relating to natural resources severance and processing tax.						
Sponsor: Representative Jim Stewart III						
Unit of Government:xCityxCountyxUrban-CountyxCharter CountyxConsolidated LocalxGovernment						
Office(s) Impacted:						
Requirement: Mandatory Optional						
Effect on Powers & Duties: Modifies Existing Adds New Eliminates Existing						
Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local						

Government

BILL PROVISIONS

This bill eliminates the transportation deduction from the natural resources severance and processing tax.

ESTIMATED FISCAL IMPACT

This bill would have no fiscal impact in fiscal year 2018-2019 because the law would not go into effect until July 1, 2019.

The elimination of the transportation deduction from the natural resources severance and processing tax should increase total revenue from the severance and processing tax by \$3.85 million in fiscal year 2019-2020. Half of this amount, \$1.925 million, would be transferred to the Local Government Economic Assistance Fund, with the other half remaining with the General Fund. This estimate is based on the Tax Expenditure Analysis

estimate of \$4.2 million for transportation expense in fiscal year 2019-2020. This number was reduced to \$3.85 million because only eleven (11) months of revenue will be collected in fiscal year 2019-2020 due to a one month lag in receipts.

The local impact will be limited to those cities and counties receiving distributions from the local government economic assistance fund (LGEAF) pursuant to KRS 42.470(2) and 42.475. These are limited to counties where limestone is severed or processed. The severance tax collected on natural resources is allocated equally to the general fund and the LGEAF. The LGEAF portion is distributed among cities and counties according to the amount of tax collected in each county.

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

Part II refers to HB 173 as introduced. There are no prior versions of this bill to complete Part III.

Data Source(s):	Tax Expenditure Analysis 2018-2020, LRC Staff
	· · · · ·

Preparer: Kev	in Branscum	Reviewer:	KHC	Date:	2/6/19
---------------	-------------	------------------	-----	-------	--------