

with adding a new category to the ballot on an already scheduled statewide election. For example, the cost to add a new category to the ballot for Lexington-Fayette Urban County Government, with 291 precincts, has recently been estimated at between \$3,500 and \$4,500, and for Franklin County, with 44 precincts, the cost has been estimated at between \$1,700 and \$2,500.

If the constitutional amendment is adopted, then the fiscal impact of HB 23 on local governments will be potentially nil to minimal to moderate, and dependent on the number and size of property tax exempt entities located in a particular county or city.

Perhaps all counties and cities will be affected by this legislation. For example, according to the American Legion Department of Kentucky there are 127 Posts in Kentucky. According to the Veterans of Foreign Wars Department of Kentucky there are 90 VFW posts in Kentucky. Nationwide there are numerous veterans organizations associated with all branches of the military, and more than 45,000 nonprofits devoted to veterans and their families, and registered for tax exempt status with the IRS. It is reasonable to assume many veterans organizations and related auxiliaries, charities, and advocacy groups **own and occupy** real properties and personal properties that are presently subject to taxation.

According to the Kentucky League of Cities the compensating tax rate as calculated in KRS 132.010 could be employed to avoid losing revenue if property is exempted from taxation. Instead, local governments could adjust the rate to produce the same or more revenue in the following year, but that would require increasing the rate on all nonexempt property owners. In other words, the compensating tax rate calculation would allow local governments to increase the rate on others to cover the loss from the exempted property. Thus, other property owners would likely see a tax increase as a result of this. 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.

If local governments did not take advantage of this facet of the compensating tax rate calculation in that year, then they would lose revenue in perpetuity. They could still increase their rate in the future, but statutory requirements act as a de facto cap.

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

Part II, above, pertains to the bill as drafted.

Data Source(s): American Legion Department of Kentucky; Veterans of Foreign Wars Department of Kentucky; Kentucky Association of Counties; Kentucky League of Cities

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