

with an estimate that the total real property taxes paid by three of the organizations is approximately \$299,000 a year.

Veterans of Foreign Wars

90 posts located in Kentucky

70 of those posts own property

Total tax paid is approximately \$145,366 (100% reporting)

American Legion

127 posts located in Kentucky

79 of those posts own property

Total tax paid is approximately \$105,547 (90% reporting)

AMVETS

27 posts located in Kentucky

7 of those posts own property

Total tax paid is approximately \$23,847 (90% reporting)

\$25,000 in unreported

The \$299,000 estimate includes both state and local taxes. A majority of the taxes collected for real property are local taxes. The state tax rate for real property is 12.2 cents per \$100 in assessed valuation. Average local property tax rates total \$1.33 per \$100 in assessed valuation. Therefore, of the \$299,000 estimate, approximately \$275,000 would be local revenues.

To qualify for the property tax exemption, over fifty percent of the veteran service organization's annual net income must be expended on behalf of military veterans and other charitable causes. Currently, the charitable activities of veteran service organizations are not tracked. Therefore, it is unknown how many of these organizations would qualify for the exemption, and **the fiscal impact on local revenues cannot be accurately determined.**

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 real property within a jurisdiction is reduced, a local taxing jurisdiction may impose a higher compensating tax rate, which would be applied to all taxable real 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.

This bill is expected to have a minimal impact on local expenditures, as a verification method will need to be developed and administered to confirm that over fifty percent of the organization's annual net income is be expended on behalf of military veterans and other charitable causes.

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

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

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

Preparer: Cynthia R. Brown **Reviewer:** KHC **Date:** 1/14/20