

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2021 REGULAR SESSION**

MEASURE

2021 BR NUMBER 293

HOUSE BILL NUMBER 230

TITLE AN ACT relating to the taxation of commercial mining of cryptocurrency.

SPONSOR Representative Steven Rudy

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: _____

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

FISCAL ESTIMATES	2020-2021	2021-2022	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$9,000,000)	(\$9,000,000)
EXPENDITURES			
NET EFFECT		(\$9,000,000)	(\$9,000,000)

() indicates a decrease/negative

PURPOSE OF MEASURE:

The measure will provide sales and use tax exemptions to businesses that are located in colocation facilities of not less than 200,000 square feet which are engaged in the commercial mining of cryptocurrency. The effective date of this proposal is July 1, 2021.

The sales and use tax exemptions specified are for electricity used or consumed in the commercial mining of cryptocurrency, and for the tangible personal property directly used in the commercial mining of cryptocurrency, including all equipment necessary to mine, such as servers and computers, racks, power distribution units, transformers, cabling, switchgear, software, network equipment, and like items.

These exemptions shall apply to applications made on or after July 1, 2021 and on or before June 30, 2025. In order to receive the exemptions, a qualifying company must file an application with the Department of Revenue, and when approved, it must report the exemptions claimed per fiscal year beginning November 1, 2021, and each November 1 every year thereafter.

Also, in relation to the electricity, the utility gross receipts license tax (UGRL) for schools of up to three percent (3%) is exempt in this proposal.

FISCAL EXPLANATION:

This proposal will have a negative impact on the General Fund.

Relating to the tangible personal property purchased by persons engaged in the commercial mining of cryptocurrency in a facility of this size, the amount of the exemption could be from \$5,000,000 to \$6,000,000 for the purchase of equipment used to start-up. Once the facility is up and running, computer equipment used in this industry becomes obsolete fairly quickly and needs to be replaced every three years. Therefore, each location would likely continue to take advantage of the exemption each year, costing the General Fund \$1,000,000 to \$2,000,000 each year.

The electricity at each facility would be exempt as well. The total exemption for all locations would be \$1,000,000.

This proposal has been scored at \$9,000,000 based on the assumption that at least one new facility would come online in the next year, and existing facilities in the state would be able to take advantage of the exemption.

DATA SOURCE(S): LRC Staff

PREPARER: Katy Jenkins NOTE NUMBER: 10 REVIEW: JAB DATE: 2/12/2021