Local Government Mandate Statement Kentucky Legislative Research Commission 2022 Regular Session

Part I: Measure Information

Bill Request #: 1405
Bill #: HB 261
Document ID #: 2700
Bill Subject/Title: AN ACT relating to assessment of motor vehicles for property tax purposes and declaring an emergency.
Sponsor: Representative Steve Sheldon
Unit of Government: x City x County x Urban-County
Office(s) Impacted: Property Valuation Administrator, County Clerks
Requirement: x Mandatory Optional
Effect on Powers & Duties:x Modifies Existing Adds New Eliminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 261 amends KRS 132.485 to mandate that all vehicles which are assessed for property tax purposes using the January 1, 2022, and January 1, 2023, assessment dates be assessed at the same value they were assessed at during the immediately preceding year if they were assessed in Kentucky that year. For vehicles which were not assessed in Kentucky the previous year, the Property Valuation Administrator must assess the vehicle either in person or through a review of photographs and other documentary evidence to determine the value.

HB 261 also mandates that refunds be granted under KRS 134.590 to any individual who has paid motor vehicle property taxes assessed for the January 1, 2022, or January 1, 2023, assessment dates which was not valued at the same rate as the immediately preceding year. Property Valuation Administrators and County Clerks would also be required to post information regarding the refunds in their office and on their website or the county's website if they do not have their own.

For the assessment dates beginning on January 1, 2024, and all dates after, motor vehicles which are assessed for property tax purposes cannot be assessed at a rate higher than six percent (6%) compared to the immediately preceding year's assessment.

On January 6, 2022, the Department of Revenue Office of Property Valuation released a memo pertaining to the motor vehicle assessments adopted on January 1, 2022. This memo indicated the total assessed value for motor vehicles increased by approximately 40 percent when compared to the total assessment adopted on January 1, 2021. Under current statutes, this increase in total assessments will lead to a corresponding increase in motor vehicle property tax receipts at the state and local level during this assessment period.

Since HB 261 would eliminate the assessment increase for motor vehicles that was adopted on January 1, 2022, the fiscal impact of HB 261, once adopted, would be negative during the current assessment period. This negative local impact will vary based on the number of taxing districts within each county, the motor vehicle assessment within each taxing district, and the applicable tax rate. The local impact for future assessment periods during the biennium is indeterminable because motor vehicle assessments for these periods are not available.

Total motor vehicle assessments and motor vehicle tax rate data are publicly available at the county level, but the total assessment by taxing district within the county is not publicly available. In the absence of motor vehicle assessment data by taxing district, it is not possible to estimate the negative local fiscal impact due to eliminating the assessment increase for motor vehicles during the current assessment period. For these reasons, the local impact of HB 261 is negative but indeterminable.

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

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

Data Source(s): LRC Staff Economist, Department of Revenue January 6, 2022 memo

Preparer: Cynthia Brown **Reviewer:** KHC **Date:** 1/25/22