Local Government Mandate Statement Kentucky Legislative Research Commission 2022 Regular Session

Part I: Measure Information

Bill Request #: 1496								
Bill #: HB 386								
Document ID #: 3528								
Bill Subject/Title: AN ACT relating to exempting motor vehicles from property taxation and declaring an emergency.								
Sponsor: Representative Angie Hatton								
Unit of Government:	X City X Charter County	X County X Consolidated Loc	Unified Local					
Office(s) Impacted: Property Valuation Administrators and 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 386 creates a new section of KRS Chapter 132 which exempts motor vehicles as defined in KRS 186.010 from state property tax and deletes the four percent commission that County Clerks receive from collecting state motor vehicle property tax. HB 386 also exempts a portion of the property taxes assessed on motor vehicles for the January 1, 2022, assessment date based on a formula that multiplies the standard value of the motor vehicle as of January 1, 2021, with applicable property tax rates and then subtracts that product from the motor vehicle's January 1, 2022, assessed value. HB 386 mandates that any overpayment of taxes created as a result of the retroactive exemptions in the bill shall be refunded in accordance with KRS 134.590.

Currently, County Clerks receive four percent of the revenue collected from the state property tax assessed on motor vehicles. Since HB 386 exempts motor vehicles from state property tax, the County Clerks will no longer receive a commission from collecting the state property tax revenues. County Clerks will still receive a commission from local taxing districts that assess property taxes on motor vehicles. Below is a chart estimating the County Clerks' commission using the 45 cents per \$100 of assessed value state property tax rate and adjusting fiscal year 2022 based on the effective date of the bill.

Fiscal Year	Total Motor Vehicle Assessed Values	State Tax Revenue at 45 Cents Tax Rate	County Clerks' 4% Commission
FY 22 (adjusted)	\$ 22,152,777,778	\$ 99,687,500	\$ 3,987,500
FY 23	\$ 40,509,259,333	\$ 182,291,667	\$ 7,291,667
FY 24	\$ 42,546,296,222	\$ 191,458,333	\$ 7,658,333

On January 6, 2022, the Department of Revenue's 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. However, since HB 386 exempts a portion of the property taxes assessed on motor vehicles for the January 1 2022, assessment date, the fiscal impact of HB 386 is expected to be negative.

Local property tax rates vary by location. Therefore, the local fiscal impact will be dependent upon the number of taxing districts within each county, the motor vehicle assessment within each taxing district, and the applicable tax rate applied for the exemption. While total motor vehicle assessments and motor vehicle tax rate data are publically available at the county level, the total assessment by taxing district within the county is not publically available. In the absence of motor vehicle assessment data by taxing district, it is not possible to estimate the local fiscal impact. For this reason, **the local impact of HB 386 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 Ecor	nomist, Departme	ent of Revenue Januar	y 6, 2022 i	nemo,
Preparer: Cvnth	nia R. Brown	Reviewer:	КНС	Date:	2/8/22