

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2022 REGULAR SESSION**

**MEASURE**

2022 BR NUMBER 1376

HOUSE BILL NUMBER 6 HCS1

**TITLE** AN ACT relating to the valuation of motor vehicles for property tax purposes and declaring an emergency.

**SPONSOR** Representative Jason Petrie

**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	2021-2022	2022-2023	2023-2024	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES	(\$38.3 M)	(\$29.4 M)	(Indeterminable)	(Indeterminable)
EXPENDITURES				
NET EFFECT	(\$38.3 M)	(\$29.4 M)	(Indeterminable)	(Indeterminable)

( ) indicates a decrease/negative

**PURPOSE OF MEASURE:** HB 6 HCS 1 amends KRS 132.485 to require, for assessment dates beginning on or after January 1, 2023, in assessing motor vehicles for property tax purposes, that the standard value be the average trade-in value and not the rough trade-in or the clean trade-in values as prescribed by the valuation manual. It also provides the property valuation administrator the authority to adjust the value of a motor vehicle when the registrant has provided evidence that the standard value does not reflect the motor vehicle's condition, options, mileage, or certificate of title issued.

HB 6 HCS 1 also exempts from state and local property taxes, for the January 1, 2022 assessment date, the portion of taxes computed on any increase in a motor vehicle's valuation from January 1, 2021. It mandates that refunds be issued, within 90 days of the effective date of the bill, for the overpayment of taxes created from the retroactive application of the exemption.

HB 6 HCS 1 includes an emergency clause in order to have the measure take effect upon its passage and approval by the Governor or upon it otherwise becoming law.

**FISCAL EXPLANATION:** Under current statutes, the assessed value of a motor vehicle for property taxes is determined on January 1<sup>st</sup> based on the average trade-in value as provided by a

standard manual prescribed by the Department of Revenue. The assessed value is used to determine the property taxes due based on the applicable state, county, city, and other local tax rates (e.g., school, library, fire, extension, ambulance).

On January 26, 2009, the Department of Revenue Office of Property Valuation issued a memo to property valuation administrators, indicating the clean trade-in value was the valuation that most closely met the standard of “fair cash value” required by Section 172 of Kentucky’s constitution. HB 6 HCS 1, if enacted, would reaffirm and clarify that, as of January 1, 2023, the average trade-in value be used for motor vehicle assessment purposes. At the time the memo was issued to the property valuation administrators, the Department of Revenue indicated that no decision had been made regarding whether taxpayers who had paid their motor vehicle property taxes would receive an additional billing, thus suggesting the clean trade-in values were higher than the average trade-in values.

If the current practice for valuing motor vehicles is the clean trade-in value, and this value is higher than the average trade-in value, the fiscal impact of HB 6 HCS 1 on state motor vehicle property tax receipts would be negative. Since data is not available to assess the difference between the two valuation measures, the negative fiscal impact is indeterminable.

On January 6, 2022, the Department of Revenue Office of Property Valuation released a memo on the new motor vehicle assessments that were 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 during this assessment period. If enacted, HB 6 HCS 1 would eliminate the portion of property taxes computed on a motor vehicle’s increase in value from January 1, 2021 for motor vehicles assessed on January 1, 2022. Therefore, due to the exemption in HB 6 HCS 1, the motor vehicle property tax receipts are expected to decrease for the current assessment year. (2022 calendar year).

If making the assumption that HB 6 HCS 1 will take effect in March 2022, nine months of state motor vehicle property tax receipts would be negatively impacted in calendar year 2022 (the last three months of FY 2022 and the first six months of FY 2023), due to the one-month lag in the posting of receipts. Taxpayers who paid their motor vehicle property tax from January 1, 2022 until HB 6 HCS 1 is implemented will receive a refund.

<b>Fiscal Impact</b>	<b>FY 22 (Jan.-June 2022)</b>	<b>FY 23 (July–Dec. 2022)</b>
Estimated Motor Vehicle Property Tax Receipts	\$165.0 M	\$175.0 M
Receipts During Last/First Half of FY	58.0%	42.0%
Estimated Receipts (Last or First Half of FY)	\$95.7 M	\$73.5 M
Reduction Due To Lower Assessment	-40.0%	-40.0%
<b>Fiscal Impact</b>	<b>-\$38.3 M</b>	<b>-\$29.4 M</b>

**DATA SOURCE(S): LRC Economists, Department of Revenue, OSBD December 17, 2021 Official CFG memo, and the Bureau of Labor Statistics**

**PREPARER: Cynthia Brown NOTE NUMBER: 46 REVIEW: JAB DATE: 2/8/2022**