

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

**MEASURE**

2022 BR NUMBER 1625

HOUSE BILL NUMBER 8

**TITLE** AN ACT relating to revenue measures.

**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 \_\_\_\_\_

<b>FISCAL ESTIMATES</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>2023-2024</b>	<b>ANNUAL IMPACT AT FULL IMPLEMENTATION</b>
<b>REVENUES</b>		(\$463.2 M) GF \$0.3 M RF	(\$901.7 M) GF \$0.7 M RF	
<b>EXPENDITURES</b>				
<b>NET EFFECT</b>		(\$463.2 M) GF \$0.3 M RF	(\$901.7 M) GF \$0.7 M RF	

( ) indicates a decrease/negative

**PURPOSE OF MEASURE:** The purpose of this bill is to reduce the Commonwealth’s reliance on taxes related to production and to increase the reliance on taxes related to consumption.

**FISCAL EXPLANATION:** For **Individual Income Tax**, the tax rate is reduced to 4 percent for taxable years beginning on or after January 1, 2023, and a statutory reduction will occur in future taxable years if certain levels of General Fund receipts are exceeded. Future rate reductions will occur for taxable years beginning on January 1 following the fiscal year in which General Fund receipts exceed the following thresholds, except that any change in tax rate shall not exceed one percentage point in a calendar year:

Rate	Threshold		Rate	Threshold
3.5%	\$13.75 billion		1.5%	\$17.50 billion
3.0%	\$14.50 billion		1.0%	\$18.50 billion
2.5%	\$15.50 billion		0.5%	\$19.50 billion
2.0%	\$16.50 billion		0.0%	\$20.50 billion

The personal income tax credits for a fiduciary and an estate are eliminated.

**Sales and Use Tax:** The tax base is expanded to include the taxation of new services, including:

<b>Service</b>	<b>Service</b>	<b>Service</b>
Photography and photo finishing service	Private investigation services	Recreational camp tuition and fees
Advertising and graphic design services	Process server services	Personal fitness training services
Marketing services	Repossession of tangible personal property services	Massage services, except when medically necessary
Telemarketing services	Personal background check services	Cosmetic surgery services
Public opinion and research polling services	Personal financial planning and investment management services	Body modification services
Lobbying services	Parking services	Testing services
Executive employee recruitment services	Road and travel services provided by automobile clubs defined in KRS 281.010	Interior decorating and design services
Website design and development services	Travel arrangement and reservation services	Household moving services
Website hosting services	Condominium time-share exchange services	Specialized design services including the design of clothing, costumes, fashion, furs, jewelry, shoes, textiles, parade floats, and lighting
Facsimile transmission services	Rental of space for meetings, conventions, short-term business uses, entertainment events, weddings, banquets, parties, and other short-term social events	Lapidary services
Private mailroom services	Social event planning and coordination services	Labor and services to repair or maintain commercial refrigeration equipment and systems when no tangible personal property is sold in that transaction including service calls and trip charges
Bodyguard services	Pleasure watercraft docking, launching, and storage services	Labor to repair or alter apparel, footwear, watches, or jewelry when no tangible personal property is sold in that transaction
Residential and nonresidential security system monitoring services	Leisure, recreational, and athletic instructional services	Prewritten computer software access services

Additionally, the definition of admission is expanded to include a fee paid for the use of a boat ramp, and the definition of extended warranty services is expanded to include real property. The current exemption for admission to historical sites is removed. The current exemption for residential utilities will only apply to the resident's place of domicile and will not apply to additional residential property owned. The threshold for exempting sales of services is reduced to \$3,000 during a calendar year. Contracts executed prior to the date of introduction of the bill will remain in force until expiration or renewal.

**Car and Ride Sharing Tax:** A new transportation certificate is established for peer-to-peer car sharing, and a new tax is imposed for the privilege of providing a motor vehicle for sharing or for rent, with or without a driver, within the Commonwealth. The tax rate is 6 percent of gross

receipts and the tax will be administered and collected by the Department of Revenue, with receipts deposited in the General Fund. This will have a positive impact to the General Fund of \$7.1 million in fiscal year 2022-2023 and \$18.4 million in fiscal year 2023-2024.

**Transient Room Taxes:** Definitional terms and the tax base for the local and state-wide transient room taxes is conformed to the sales and use tax base.

**Electric Powered Vehicle Tax:** A new excise tax of three cents per kilowatt hour on electric vehicle power distributed in this state by an electric vehicle power dealer. The tax will be administered and collected by the Department of Revenue, with receipts deposited in the Road Fund.

**Battery Reclamation and Mitigation Fee:** A fee of \$140 for electric vehicles and \$70 for hybrid vehicles will be collected by the county clerk at the time of registration or renewal of registration and deposited in the General Fund. This will have a positive impact to the General Fund of \$2 million in fiscal year 2022-2023 and \$4.2 million in fiscal year 2023-2024.

**Other Provisions:**

- A statutory date change is made to allow certain public private partnerships for a capital project to occur without General Assembly approval
- The Department of Revenue is prohibited from collecting any consumer debts owed for health care goods and services
- Various interagency fees and procedures are continued related to state government operations

The estimated impact related to Individual Income tax is a negative \$530.0 million in fiscal year 2022-2023 and \$1,074.0 million in fiscal year 2023-2024. The estimated impact related to sales and use tax is a positive \$57.8 million in fiscal year 2022-2023 and \$149.7 million in fiscal year 2023-2024.

**DATA SOURCE(S):** LRC staff, Core Statistics – Economic Census

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