Local Government Mandate Statement Kentucky Legislative Research Commission 2023 Regular Session

Part I: Measure Information

Bill Request #: 318

Bill #: HB 25

Document ID #: 615

AN ACT relating to exemptions for totally disabled veterans with a **Bill Subject/Title:** permanent and total one hundred percent service-connected disability rating from the United States Department of Veterans Affairs.

Sponsor: Representa	ative Walker Thomas
Unit of Government:	XCityXCountyXUrban-CountyXCharter CountyXConsolidated LocalXGovernment
Office(s) Impacted:	Fiscal Courts, Property Valuation Administrators, County Clerks
Requirement: X	Mandatory Optional
Effect on Powers & Duties:	_ Modifies Existing _ X Adds New Eliminates Existing

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

HB 25 amends KRS 91A.080 to provide an exemption to permanently and totally disabled veterans as determined by the Department of Veterans Affairs (VA) from the license fee or tax imposed by KRS 91A.080 on insurance premiums paid on policies providing coverage for real property or motor vehicles.

Additionally, HB 25 creates a new section of KRS Chapter 132 to exempt motor vehicles owned by permanently and totally disabled veterans from state and local ad valorem taxes. The exemption is limited to two motor vehicles that are primarily operated by the veteran, the veteran's spouse, or used to transport the veteran or veteran's spouse, if he or she is unable to drive. If the veteran owns more than two vehicles, the exemption shall apply to the two vehicles with the highest assessed value. Upon the death of the veteran, the exemption shall transfer to the veteran's surviving spouse and be in effect for as long as the surviving spouse owns and operates the vehicle(s).

A VA rating of permanent and total (P & T) disability is when a single condition is rated 100% and isn't expected to improve over time. Veterans with a P&T rating aren't reevaluated and receive monthly benefits at 100% for the remainder of their lives. The rating does not change, and the payment isn't reduced.

The fiscal impact of HB 25 on local governments indeterminable.

Information from the Kentucky Department of Veteran Affairs (KDVA) shows that as of December 31, 2022, there are 14,290 veterans in Kentucky who are 100% disabled.

The impact regarding the license fee/tax on insurance premiums paid on policies:

HB 25 would exempt those veterans with a 100% disability from paying the insurance premium surcharge of \$1.80 per \$100 of premiums as provide for in KRS 136.392. The insurance premiums tax is the sole revenue source for the Kentucky Law Enforcement Foundation Fund and the Kentucky Firefighters Foundation Fund. Any reduction of this revenue stream will lessen the funds going into the Firefighters Foundation Program and the Law Enforcement Foundation Program. Both funds support local firefighters and law enforcement. Data regarding insurance policies owned by disabled veterans is not available. Whereas the number of 100% disabled Kentucky vets is 14,290 and the impact will be spread out over the entire state, the impact on one specific county would be minimal.

The impact regarding ad valorem taxes:

Local ad valorem taxes include city taxes (possibly multiple within a county), general county-wide taxes including ambulance services, extension services, mental health, hospitals, library, soil conservation, county-wide emergency medical services, mental health, mental retardation, and special districts that by statute may levy ad valorem taxes. The most common special districts are ambulance, fire, watershed, and emergency medical services. Also levied at the local level are ad valorem taxes to fund county and independent school districts. A county may have several of the above ad valorem taxes or a few.

Counties, cities, and special districts will lose their revenue streams derived from motor vehicle ad valorem taxes paid by 100% disabled veterans. It is unlikely, that all 100% disabled veterans will have a registered vehicle. Whereas the number of 100% disabled Kentucky vets is 14,290 and the impact will be spread out over the entire state, the impact on one specific county would be minimal. This impact will be an annual loss of revenue, not a one-time shortfall as property taxes are paid annually.

Additionally, KRS 134.805 provides a 4% commission to the county clerk for collecting the motor vehicle state ad valorem taxes as well as all county, school, and special district ad valorem taxes. County Clerk offices are fee-based and their operating budget is comprised of the fees they collect.

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

Part II pertains to HB 25 as introduced. There are no prior versions.

Data Source(s): LRC Staff, Kentucky Department of Veterans Affairs

Preparer:Wendell F. ButlerReviewer:KHCDate:2/14/23