

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 re-evaluated 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

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