

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2023 Regular Session**

Part I: Measure Information

Bill Request #: 339

Bill #: SB 34

Document ID #: 555

Bill Subject/Title: AN ACT proposing an amendment to Section 170 of the Constitution of Kentucky relating to property exempt from taxation.

Sponsor: Senator Michael J. Nemes.

Unit of Government: City County Urban-County
Unified Local
 Charter County Consolidated Local Government

Office(s) Impacted: Property Valuation Administrator

Requirement: Mandatory Optional

Effect on
Powers & Duties: Modifies Existing Adds New Eliminates Existing

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

SB 34 proposes a constitutional amendment which would provide an exemption from taxation of any increase in the value of the property that is assessed the later of the year the owner turns 65 years of age or the year the owner purchased the property.

The fiscal impact of SB 34 on local governments regarding revenues would be insignificant due to the provisions of current law that provides for a revenue floor by utilizing a compensatory rate. The loss of revenue will be made up by increasing the rates on properties not qualifying for any exemptions in order to meet the compensatory rate provided by KRS 132.010(6) up to an aggregate revenue increase of 4% as provided by KRS 132.0225 unless the taxing district elects to set a rate that will provide revenue above 4% and follows the statutory provisions for increases above 4%.

Property taxpayers age 65 and over will benefit. However; all other property taxpayers, including commercial taxpayers, might see an increase in their property tax rates.

There would be additional record keeping cost for those taxpayers affected by the proposal. The amount of cost would be dependent on the number of properties affected and necessary upgrades, if any, to office systems.

The compensatory rate also ensures this would not have any significant impact on the sheriff's fee (based on a percentage) he receives for collecting the tax due.

By the language of the bill and as allowed by Kentucky Constitution Section 256, the proposed amendment would be submitted to the voters at the next regular election at which time members of the General Assembly are chosen. This means that the proposed amendment would be considered in November 2024.

The costs of SB 34 to local governments due to adding a constitutional amendment to a ballot would be minimal, though for counties with smaller budgets the impact may be minimal to moderate.

Balloting and publishing proposed constitutional amendments is a regular duty of county clerks, paid for by the county fiscal court. There are additional programming costs associated with adding a new category (local option question or constitutional amendment) to the ballot on an already scheduled statewide election.

Ballot printing costs are also a factor in election expenses. If the proposed amendment results in additional pages needed for the ballot, that would be an additional cost to the county clerk's office. It has been estimated that the cost of one extra page for a ballot is \$0.25.

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

Part II refers to SB 34 as introduced. There are no prior versions.

Data Source(s): LRC Staff

Preparer: WB (JB) **Reviewer:** KHC **Date:** 2/8/23