

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2024 REGULAR SESSION**

**MEASURE**

2024 BR NUMBER 193

HOUSE BILL NUMBER 42

**TITLE** AN ACT relating to a sales and use tax exemption for veterans' service animals.

**SPONSOR** Representative Emily Callaway

**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	2023-20234	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(Indeterminable)	(Indeterminable)	(Indeterminable)
EXPENDITURES				
NET EFFECT		(Indeterminable)	(Indeterminable)	(Indeterminable)

( ) indicates a decrease/negative

**PURPOSE OF MEASURE:** HB 42 proposes to exempt from sales and use tax any veterinarian services and charges sold to or purchased by a disabled veteran in relation to the veteran's service animal. "Service animal" includes only dogs or miniature horses that are individually trained to do work or perform tasks that are directly related to the disability and for the benefit of an individual with a disability.

**FISCAL EXPLANATION:** In order to estimate the potential fiscal impact of 2024 Regular Session HB 42, it is necessary to determine the number of disabled veterans who have a service animal and the associated costs of veterinarian services and charges in relation to the veteran's service animal.

There are approximately 74,100 veterans in Kentucky with a disability service rating based on 2021 data from the US Department of Veterans Affairs, which is the most recently available data. To estimate the number of veterans in Kentucky with a disability service rating in 2025, the 2021 data was inflated by the growth rate between the two years of most recently available data. After inflating the 2021 data, it is estimated there will be approximately 77,400 veterans in Kentucky with a disability rating in 2025. To the extent the number of veterans in Kentucky with a disability rating in 2025 differs, the actual fiscal impact will differ from the estimate. However, no data exists regarding the number of veterans who have a service animal.

According to the American Society for the Prevention of Cruelty to Animals, the average cost for canine routine medical expenditures in 2021 was approximately \$225. Routine medical expenditures include, but are not limited to, vaccines and wellness visits. To estimate the average cost for canine routine medical expenditure in 2025, the 2021 data was inflated by the Consumer Price Index for veterinary services. After inflating the 2021 data, it is estimated that the average cost for canine routine medical expenditures will be approximately \$320 in 2025. To the extent the average cost of canine routine medical expenditures in 2025 differs, the actual fiscal impact will differ from the estimate.

If it were assumed that every disabled veteran in Kentucky had a service animal, then at a maximum and with full implementation, the sales tax loss would be approximately \$1.5 million. Because the implementation date of HB 42 is August 1, 2024, only ten months of collections would be realized in FY 2025. Therefore, the maximum sales tax loss in FY 2025 would be approximately \$1.2 million. This assumes that every service animal is a dog and every dog incurs the average routine medical costs mentioned above. To the extent that average medical costs are different, the sales tax loss would differ. To the extent that disabled veterans have a small horse as a service animal, the sales tax loss would differ.

The estimate likely represents the maximum impact because it is unlikely that every disabled veteran in Kentucky has a service animal. Since the number of disabled veterans in Kentucky with service animals is unknown, and the total veterinary expenditures by disabled veterans in Kentucky with service animals is also unknown, the potential sales tax loss associated with HB 42 is negative and indeterminable.

**DATA SOURCE(S): US Department of Veterans Affairs, the American Society for the Prevention of Cruelty to Animals, LRC Economists and Appropriations and Revenue Staff**  
**PREPARER: Katy Jenkins NOTE NUMBER: 39 REVIEW: JH DATE: 2/1/2024**