

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

MEASURE

2024 BR NUMBER 228

HOUSE BILL NUMBER 50

TITLE AN ACT relating to the administration of estates and creating an emergency.

SPONSOR Representative Steve Rawlings

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	2023-2024	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$18,625,000)	(\$76,000,000)	(\$76,000,000)
EXPENDITURES				
NET EFFECT		(\$18,625,000)	(\$76,000,000)	(\$76,000,000)

() indicates a decrease/negative

PURPOSE OF MEASURE: HB 50 proposes to establish the Uniform Real Property Transfer on Death Act. The Uniform Real Property Transfer on Death Act authorizes an individual to transfer real property located in Kentucky by a transfer on death deed, which will be effective as of the transferor's death. The bill proposes requirements for the creation, administration, modification, termination, and validity of transfer on death deeds.

HB 50 also proposes to establish requirements for a transfer of a vehicle's title to a named beneficiary upon the death of the owner and directs the Kentucky Transportation Cabinet (KYTC) to develop a form for the transfer.

Where a minor has assets solely in his or her name, has no living spouse, living descendants, or creditors, and Mandy Jo's Law does not apply, HB 50 proposes to allow the court to order the administration of the minor's estate to be dispensed with and the assets transferred to the surviving parents of that minor or to a person designated by the surviving parents to receive all or part of the assets.

This bill proposes to limit the state inheritance and estate taxes to only apply to deaths occurring prior to July 1, 2024.

FISCAL EXPLANATION:

The receipts generated from state inheritance tax over the last ten years are as follows:

2014	\$48.8 M	2019	\$44.4 M
2015	\$50.9 M	2020	\$46.3 M
2016	\$51.2 M	2021	\$62.1 M
2017	\$44.7 M	2022	\$81.3 M
2018	\$48.2 M	2023	\$71.8 M

The Consensus Forecasting Group estimates inheritance tax receipts for fiscal year 2025 to be around \$74.5 million and for fiscal year 2026 to be around \$76 million.

HB 50 sunsets the state inheritance tax to only apply to deaths occurring prior to July 1, 2024.

If the inheritance tax is paid within nine months of the date of death, a five percent discount is allowed. If the tax due is not paid within 18 months of the date of death, interest and penalties are assessed. Considering this information and the date of sunset provided in HB 50, the estimated fiscal impact is expected to be \$18.6 million for fiscal year 2024-2025 and \$76 million for fiscal year 2025-2026.

The Economic Growth and Tax Relief Reconciliation Act of 2001 and the American Taxpayer Relief Act (2013) eliminated the tax credit allowed against federal estate tax and replaced it with a deduction. Since the calculation of the Kentucky estate tax is based on the tax credit that no longer exists, the Kentucky estate tax has not generated any tax receipts since January 1, 2005. Therefore, the estimated impact of HB 50 in relation to sunseting the Kentucky estate tax is zero.

HB 50 is not expected to have a fiscal impact on KYTC for developing a form for transferring a vehicle's title to a named beneficiary.

DATA SOURCE(S): LRC Staff, KYTC staff; Kentucky Office of State Budget Director Monthly Tax Receipts Reports and 2024-26 Official CFG Revenue Estimates Report; Economic Growth and Tax Relief Reconciliation Act of 2001; American Taxpayer Relief Act (2013)

PREPARER: Cynthia Brown NOTE NUMBER: 3 REVIEW: JH DATE: 1/11/2024