

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

MEASURE

2024 BR NUMBER 353

HOUSE BILL NUMBER 8 HCS 1

TITLE AN ACT relating to revenue.

SPONSOR Representative Jason Petrie

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 Waste Tire Trust Fund; Kentucky Photo License Account

FISCAL ESTIMATES	2023-2024	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES	(See chart in fiscal explanation)			
EXPENDITURES	\$0	\$0	\$0	\$0
NET EFFECT	(See chart in fiscal explanation)			

() indicates a decrease/negative

PURPOSE OF MEASURE: The purpose of HB 8 HCS 1 is to allow for the continuance of environmental programs; provide funding for equine programs, international harness racing events, and the Kentucky problem gambling assistance account; encourage economic growth in the Commonwealth; modernize state tax laws; improve communication from state agencies; and provide various interagency fees and procedures related to state government operations.

FISCAL EXPLANATION: HB 8 HCS 1 retains the original provisions of HB 8 and proposes the following provisions:

Pari-Mutuel Tax Revenue Redistribution

HB 8 HCS 1 redistributes the historical horse racing pari-mutuel tax revenues from the Kentucky Thoroughbred breeders incentive fund and Kentucky standardbred breeders incentive fund as follows:

- Up to \$250,000/fiscal year to the Kentucky Horse Racing Commission for the benefit of Thoroughbred, standardbred, and American quarter horse aftercare facilities in Kentucky; and
- Up to \$250,000/fiscal year to the Kentucky equine management internship program.

HB 8 HCS 1 includes Kentucky Community and Technical College System (KCTCS) institutions in the distribution of the pari-mutuel tax revenues and requires that the moneys be used for construction, expansion, or renovation of facilities or the purchase of equipment for equine programs.

HB 8 HCS 1 redistributes pari-mutuel tax revenues to the Kentucky problem gambling assistance account in the amount of:

- \$75,000 from the Kentucky standardbred development fund;
- \$100,000 from the Kentucky Thoroughbred development fund; and
- \$25,000 from the Kentucky Quarter Horse, Paint Horse, Appaloosa, and Arabian development fund.

In relation to a multiple-day international harness racing event with purses and awards over \$5,000,000, HB 8 HCS 1:

- Requires that the host track grant the Tourism, Arts and Heritage Cabinet a race title sponsorship and promotional package at the event; and
- Creates an international harness racing event reserve account for a Kentucky track that hosts an event and places a requirement that \$300,000 a year be transferred to the new reserve account from the standardbred development fund until the account reaches \$900,000.

Sales and Use Taxes

HB 8 HCS 1 increases the \$6,000 de minimis level to \$12,000 for certain services subject to sales and use taxes. It also creates a new exemption for the sale, use, storage, or consumption of currency and bullion for sales and use taxes.

Inheritance Tax

HB 8 HCS 1 defines "power of appointment" to mean only a general power of appointment for inheritance taxes.

Income & LLET Taxes

HB 8 HCS 1 creates a tax credit for taxable years January 1, 2025, to January 1, 2029, equal to 50% of the sales and use tax paid on a qualified broadband investment in this state, but limited to a total of \$5 million for all tax credits in each year.

Income Taxes

HB 8 HCS 1 updates the Internal Revenue Code reference date to December 31, 2023, for taxable years beginning on or after January 1, 2024.

Individual Income Tax

HB 8 HCS 1 redefines "GF appropriations" to exclude appropriations from the Budget Reserve Trust Fund account that are solely supported by moneys from the Budget Reserve Trust Fund account and specifically identified as not being a GF appropriation.

Corporate Income Tax

HB 8 HCS 1 delays the date that taxpayers can take the deferred tax deduction until January 1, 2026.

Coal Severance Tax

HB 8 HCS 1 extends the date, to July 1, 2028, for taxpayers to claim a refund for the tax paid on coal transported to a market outside North America.

Fees

HB 8 HCS 1 removes the electric vehicle ownership fee from hybrid vehicles that do not have plug-in charging capability. It also eliminates the \$5 fee for individuals without a fixed address obtaining a personal identification card.

HB 8 HCS 1 also contains provisions to provide various interagency fees and procedures related to state government operations.

The expected fiscal impact of each topic is provided in the chart below.

FISCAL ESTIMATES - REVENUES			
Description	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
Extend the sunset dates related to petroleum storage tank accounts	\$0	\$0	\$0
Extend the new tire fee to July 1, 2026	Rs F \$6 M	Rs F \$6 M	\$0
Annual report from the Department of Revenue related to changes in the tax law	\$0	\$0	\$0
Redistribute certain revenues from pari-mutuel taxes	\$0	\$0	\$0
Technical correction to KRS 138.513	\$0	\$0	\$0
Raise the de minimis level for sales and use tax services	GF (\$10.8 M)	GF (\$11.4 M)	GF (\$11.4 M)
Exempt currency & bullion from sales and use taxes	GF (\$949,000)	GF (\$1.14 M)	GF (\$1.14 M)
Define power of appointment for inheritance tax purposes	GF (indeterminable)	GF (indeterminable)	GF (indeterminable)
Create an income tax credit for broadband deployment expenses	\$0	GF (\$5 M)	GF (\$5 M)
Update the IRC reference date for income taxes	\$0	\$0	\$0

Description	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
Amend the definition of GF appropriations for individual income tax purposes	\$0	\$0	\$0
Delay the deferred tax deduction for corporate income tax	GF \$44.5 M	GF \$44.5 M	GF \$44.5 M
Extend the date for refunds of coal severance taxes related to exported coal	GF (\$9 M)	GF (\$9.8 M)	GF (\$9.8 M)
Exclude hybrid vehicles that are not plug-in hybrids from the electric vehicle ownership fee	Rd F (\$1.82 M)	Rd F (\$4.36 M)	Rd F (\$4.36 M)
Eliminate the fee for personal ID cards for no address	Rs F (\$9,000)	Rs F (\$9,000)	Rs F (\$9,000)

FISCAL ESTIMATES - NET EFFECT			
Fund	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
General Fund (GF)	\$23.75 M excluding the inheritance tax portion, which is (indeterminable)	\$17.16 M excluding the inheritance tax portion, which is (indeterminable)	\$17.16 M excluding the inheritance tax portion, which is (indeterminable)
Restricted Fund (Rs F)	\$5.99 M	\$5.99 M	(\$9,000)
Road Fund (Rd F)	(\$1.82 M)	(\$4.36 M)	(\$4.36 M)

DATA SOURCE(S): Finance and Administration Cabinet 2023 Kentucky Annual Comprehensive Financial Report; Kentucky Department of Revenue; Office of State Budget Director 2024-2026 Tax Expenditure Analysis; U.S. Energy Information Administration; Kentucky Transportation Cabinet; 2017 Economic Census; LRC Staff

PREPARER: Cynthia Brown NOTE NUMBER: 172 REVIEW: JH DATE: 3/15/2024