

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2025 REGULAR SESSION**

MEASURE

2025 BR NUMBER _____

HOUSE BILL NUMBER 1 – HFA #6 – Doc ID. 1852

TITLE AN ACT relating to the individual income tax rate.

SPONSOR Representative Adam Moore

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	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$83.2 million)	(\$166.3 million)
EXPENDITURES			
NET EFFECT		(\$83.2 million)	(\$166.3 million)

() indicates a decrease/negative

PURPOSE OF MEASURE: House Floor Amendment #6 to HB 1 retains the original provisions of the bill. Additionally, the amendment proposes to exclude from individual income tax all income earned from all sources for veterans.

FISCAL EXPLANATION: To determine the fiscal impact of the amendment, staff used Kentucky's 2023 median income for veterans, as reported by the American Community Survey (ACS), and inflated it by the average growth rate of Kentucky veterans' wage income. The 2023 median income amount of \$46,213, inflated for 2026, is estimated to be approximately \$55,500. Staff then applied the four percent Kentucky individual income tax rate to these estimated median income amounts. Kentucky individual income tax paid per veteran is estimated to be approximately \$2,200 in 2026. Staff then estimated the number of veterans ages 18 to 64 that will be employed in Kentucky in 2026 and multiplied these numbers by the estimated total tax paid per veteran. It is estimated that the negative fiscal impact of this proposed legislation would be approximately \$83.2 million in FY 2026. Because the beginning of tax year 2026 aligns with only the second half of FY 2026, half a year's worth of exemptions of veterans' wage and salary income from Kentucky's individual income tax is realized. However, full implementation will be realized in FY 2027.

DATA SOURCE(S): LRC Staff and American Community Survey (ACS)

PREPARER: Jennifer Hays **NOTE NUMBER:** 9 **REVIEW:** JR **DATE:** 1/9/2025