

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

MEASURE

2025 BR NUMBER 195

HOUSE BILL NUMBER 1 GA SFA 1

TITLE AN ACT relating to the individual income tax rate.

SPONSOR Senator Gex Williams

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		(\$359 million)	(indeterminable)
EXPENDITURES			
NET EFFECT		(\$359 million)	(indeterminable)

() indicates a decrease/negative

PURPOSE OF MEASURE: House Bill 1 GA Senate Floor Amendment 1 removes the conditions by which the individual income tax rate may be reduced and replaces this with established tax rates through taxable years beginning on or after January 1, 2030. The amendment proposes to reduce the individual income tax rate as follows:

Tax Rate	Taxable years beginning on or after
3.5%	January 1, 2026
2.5%	January 1, 2027
1.5%	January 1, 2028
0.5%	January 1, 2029
0%	January 1, 2030

FISCAL EXPLANATION: It is estimated that the individual income tax rate reduction, from 4% to 3.5%, will reduce General Fund revenues in FY 2026 by approximately \$359 million. This estimate is reflective of both reduced withholding and declaration payments in the last two quarters of FY 2026 due to the rate change. The annual impact at full implementation is negative indeterminable as individual income tax revenue estimates are not available for future fiscal years to which this amendment applies. Estimated revenue projections are needed, and will be determined at future meetings of the Consensus Forecasting Group (CFG).

DATA SOURCE(S): LRC Staff

PREPARER: Sarah Watts **NOTE NUMBER:** 13 **REVIEW:** JMR **DATE:** 1/14/2025