

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

MEASURE

2025 BR NUMBER 21

HOUSE BILL NUMBER 37

TITLE AN ACT relating to an exemption from sales and use tax for certain nonprofit institutions.

SPONSOR Representative James Tipton

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 | | (\$3,800,000) | (\$4,300,000) |
| EXPENDITURES | | | |
| NET EFFECT | | (\$3,800,000) | (\$4,300,000) |

() indicates a decrease/negative

PURPOSE OF MEASURE: HB 37 would exempt resident, nonprofit educational, charitable, or religious institutions from sales and use tax on their sales to customers of tangible personal property, digital property, or services. Currently, they are exempt from tax on purchases they make of tangible personal property, digital property, or services which are used solely within the educational, charitable, or religious function. The new exemption would not apply to sales at a tourism development project approved under KRS 148.851 to 148.860 nor to an institution that qualifies for a refund of a portion of the tax collected on its sales of donated goods as provided in subsection (3) of KRS 139.495.

FISCAL EXPLANATION: The potential fiscal impact of HB 113 has been estimated based on data from the United States Census Bureau’s North American Product Classification System. A negative impact of \$3,800,000 is estimated for fiscal year 2025-2026. Without a specific date of application, the legislation would become effective 90 days after sine die of the 2025 Regular Session. Upon full implementation, the fiscal impact is estimated to be a negative impact to the general fund of \$4,300,000.

DATA SOURCE(S): <https://www.census.gov/programs-surveys/economic-census/year/2017/economic-census-2017/guidance/understanding-napcs.html>; LRC Economists and Appropriations and Revenue Staff

PREPARER: Katy Jenkins **NOTE NUMBER:** 5 **REVIEW:** JMR **DATE:** 1/16/2025