

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2026 REGULAR SESSION**

MEASURE

2026 BR NUMBER 1135

HOUSE BILL NUMBER 101

TITLE AN ACT relating to an exemption from sales and use tax for religious 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 ☐ STATE
EMPLOYEE HEALTH PLAN IMPACT

APPROPRIATION UNIT(S) IMPACTED: _____

FUND(S) IMPACTED: ☒ GENERAL ☐ ROAD ☐ FEDERAL ☐ RESTRICTED _____

FISCAL ESTIMATES	2025-2026	2026-2027	2027-2028	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(Indeterminable)	(Indeterminable)	(Indeterminable)
EXPENDITURES				
NET EFFECT		(Indeterminable)	(Indeterminable)	(Indeterminable)

() indicates a decrease/negative

PURPOSE OF MEASURE: House Bill 101 exempts a religious institution that has qualified for exemption from income tax under Section 501(c)(3) of the Internal Revenue Code from sales and use tax on its sales to customers of tangible personal property, digital property, or services.

Currently, religious institutions are exempt from tax on purchases made of tangible personal property, digital property, or services that are used solely within the religious function, but not on their sales.

FISCAL EXPLANATION:

The fiscal impact of House Bill 101 is negative, but indeterminable, to the General Fund. Data from the U.S. Census Bureau's North American Product Classification System (NAPCS) can be used to estimate the potential impact for all charitable, educational, and religious organizations (NAICS code 813). However, the data do not provide enough detail to separate sales attributable to each of these different types of nonprofit organizations. Moreover, no other available data sources allow for the accurate isolation of sales made by religious organizations in Kentucky. Based on NAPCS data, excluding sales made by all charitable, educational, and religious organizations would reduce General Fund revenues by approximately \$4.3 million in a full fiscal year.

DATA SOURCE(S): 2022 and 2017 Economic Census; LRC Economists and Appropriations and Revenue Staff

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