

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

MEASURE

2026 BR NUMBER 1114

SENATE BILL NUMBER 51

TITLE AN ACT proposing to create a new section of the Constitution of Kentucky relating to property exempt from taxation.

SPONSOR Senator Michael Nemes

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				(\$5,595,000)
EXPENDITURES				
NET EFFECT				(\$5,595,000)

() indicates a decrease/negative

PURPOSE OF MEASURE: This measure places a proposed constitutional amendment on the ballot at the next regular election at which members of the General Assembly are elected. The proposed language for the constitutional amendment creates an additional property tax exemption for homeowners who are 65 years of age or older. If ratified, the amendment will exempt any increase in the valuation of the homeowner's permanent residence and contiguous real property that is assessed after the later of the year the homeowner turned 65 years old or the year the homeowner purchased the property.

FISCAL EXPLANATION: A state fiscal impact is not expected for proposing a constitutional amendment to be placed on the ballot. If the amendment is ratified, the estimated fiscal impact is discussed below.

The next general election, in which this proposed constitutional amendment could be ratified, occurs in November 2026. Therefore, any fiscal impact from this measure would occur in the years following the current biennium.

To determine the fiscal impact of SB 51, the number of Kentucky homeowners age 65 and over, the value of their permanent residence, the homestead exemption amount, the state real property tax rate, and how these variables may change over time are estimated.

The number of Kentucky owner-occupants age 65 and over was estimated using 2024 American Community Survey (ACS) data from the US Census Bureau. The ACS data suggests there were 409,762 Kentucky homeowners age 65 and over in 2024. Since SB 51 won't take effect until 2027, staff utilized Kentucky Department of Revenue data regarding the number of homestead exemptions to adjust the number of Kentucky homeowners age 65 and over. The Department of Revenue data indicated the number of Kentucky homeowners age 65 and over increased by 1.5 percent annually from 2007 through 2024.

The median owner-occupied property value for those age 65 and over was estimated using 2024 ACS data. Historical data from the US National Home Price Index published by The Federal Reserve Bank of St. Louis (FRED) and future home price forecasts from the National Association of Realtors (NAR) were used to adjust the median owner-occupied property value to expected 2027 values. The US National Home Price Index and the NAR estimates suggest home prices will increase 3.5 percent annually in the biennium.

It is estimated that the average home value assessment for Kentucky homeowners age 65 and over will increase from \$257,246 for the 1/1/2027 assessment date to \$266,250 for the 1/1/2028 assessment date. The difference between these two assessments (\$9,004) represents the estimated average exemption increase per Kentucky homeowner age 65 and over, in the initial year SB 51 becomes effective.

Kentucky's current real property tax rate is 10.6 cents per \$100 of assessed value. Based on the current real property tax rate, it is estimated that the average reduction in property tax per Kentucky homeowner age 65 and over in the initial year SB 51 becomes effective will be \$9.54 ($\$9,004 \times .00106$).

The 2025-2026 homestead exemption (\$49,100) was inflated by 2.5 percent based on growth in the homestead exemption since 2000 and then held constant over the biennium. The state real property tax rate used in the analysis is equal to the current state real property tax rate.

Table 1 summarizes the estimated fiscal impact of SB 51 in the initial year the property tax exemption becomes effective.

TABLE 1
Estimated Fiscal Impact of SB 51

Estimated Home Value for KY Homeowners 65+ (1/1/2027)	\$257,246
Less 2027 Estimated Homestead Exemption	\$50,328
Net Assessed Value for KY Homeowners 65+ (1/1/2027)	\$206,918
2027 Estimated Number of KY Homeowners 65+	428,479
Approximate Base Year Total Assessed Value for KY Homeowners 65+ (1/1/2027)	\$88,700,000,000
Estimated Home Value for KY Homeowners 65+ (1/1/2028)	\$266,250
Less 2028 Estimated Homestead Exemption	\$50,328
Net Assessed Value for KY Homeowners 65+ (1/1/2028)	\$215,922
2027 Estimated Number of KY Homeowners 65+	434,906
Approximate Initial Year Assessed Value for KY Homeowners 65+ (1/1/2028)	\$93,900,000,000
Estimated Exempted Assessment (Initial Year minus Base Year Assessed Value)	\$5,200,000,000
Inflated to Account for Annual Growth in Number of Qualifying Exemptions	\$5,300,000,000
State Real Property Tax Rate (cents per \$100 of Assessed Value)	10.6
Approximate General Fund Impact (Real Property Tax Receipts) in FY 2029	(\$5,595,000)

Annual Impact at Full Implementation

After the initial year the exemption is applied under SB 51, the negative fiscal impact will increase as Kentucky home property values and the number of Kentucky homeowners age 65 and over continue to increase. For example, in the initial year, the exempted amount is equal to a one-year increase in housing values and the annual increase in the number of exempted homeowners. In the second year, the exemption amount will equal two years of increases in housing values and two years of increases in the number of Kentucky homeowners who qualify for the exemption. Conversely, future increases in the homestead exemption amount will reduce the exemption amount under SB 51. Since the homestead exemption amount is substantially lower than the average home value for Kentucky homeowners age 65 and over, it is not likely that increases in this exemption will completely offset the exemption amount linked to increasing home values. The net impact of increases in the exemption amount linked to increasing home values and future increases in the homestead exemption amount is indeterminable.

Changes in the real property tax rate may affect the state fiscal impact linked to SB 51. HB 44, which limits annual real property tax growth to 4 percent annually, can result in Kentucky's real property tax rate decreasing from one year to the next. In this analysis, it is assumed the growth in housing values was 3.5 percent; therefore, to be internally consistent, it is assumed that the real property tax rate would not decline from its current level. In the future, if Kentucky's real property tax rate falls below the current rate, the negative fiscal impact will be smaller, holding

all other factors constant, when compared to the reduction in real property tax receipts under a higher rate.

DATA SOURCE(S): LRC Staff; 2024 American Community Survey, US National Home Price Index Published by the Federal Reserve Bank of St. Louis (FRED); National Association of Realtors (NAR)

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