

Sections 3 to 9 amend various statutes to enable the Legislative Research Commission to obtain data on tax expenditures from the Department of Revenue.

Section 10 establishes an effective date for HB 26 of August 1, 2018.

This bill would have no added administrative burden on local governments. However, it could have an impact on the revenues of some cities and counties, as discussed below.

The fiscal impact of this bill on local government revenues is indeterminable. This is because the bill expands the tax base, but allows a credit against the tax. Due to a lack of data as to the amount of imported limestone that may become taxable under the bill and the number of taxpayers who will be able to offset their tax liabilities by claiming the new credit, the net impact of this bill on revenues cannot be determined.

While the tax base would be expanded to apply to out-of-state limestone that is unloaded in Kentucky, Kentucky is overall a net exporter of limestone. Therefore, it is possible that only a small amount of limestone would be imported and this bill may lead to increased revenues because of the expansion of the tax base. This is because any amount of limestone that is imported into Kentucky becomes taxable, since unloading is “processing” under the new definition in Section 1 of this Act. The tax rate of 4.5 percent would be applied to the gross value of that limestone imported, but the tax would receive the credit in the amount paid by that taxpayer to the state in which the limestone was first severed.

Any local fiscal impact would be limited to those cities and counties receiving distributions from the local government economic assistance fund (LGEAF) pursuant to KRS 42.470(2) and 42.475. These are the counties where limestone is severed or processed. The severance taxes collected on natural resources are allocated equally to the general fund and the LGEAF. The LGEAF portion is distributed among cities and counties according to their share of the resources severed or processed. Any change in the total amount of tax collected will have a corresponding effect on the amount of that revenue flowing through to these local governments through the LGEAF. As stated, the impact on tax collected is indeterminable, but any direct impact to local governments will be limited to local governments that receive money from the LGEAF

Part III: Differences to Local Government Mandate Statement from Prior Versions

The Part II section above pertains to the bill as introduced and there are not any prior introduced versions of the bill to complete the Part III section.

Data Source(s): LRC Appropriations and Revenue Staff

Preparer: Amit M. Shanker **Reviewer:** KHC **Date:** 1/10/18