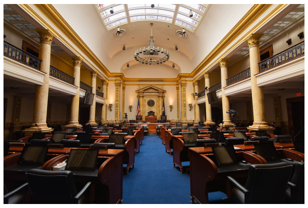

Kentucky Revenue and Tax Bill Moves Forward

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The 2024 Regular Session of the Kentucky General Assembly is coming to a close next month, and not surprisingly, substantive tax legislation has surfaced in the 11th hour.

Kentucky's Legislature, controlled by super majorities held by the Republican Party, have been moving budget-related legislation of late. The so-called Revenue Bill, House Bill 8, morphed from an 11-page bill when introduced to a 124-page bill when favorably voted out of the House.

One of the highlights of the Revenue Bill, coupled with other budget-related bills, was to modify one of the fiscal "triggers" currently in place, which are tied to Kentucky's efforts to reduce, and eventually eliminate, the Kentucky income tax through a series of controlled rate reductions. H.B. 8 would exclude any appropriation from the so-named Budget Reserve Trust Fund from the calculus used to determine whether the Rainy Day Fund is sufficiently funded. Sufficient funding of the Rainy Day Fund is part of the benchmarking methodology used to determine whether a rate reduction can occur.

Other changes to the tax provisions of Kentucky found in H.B. 8 include exempting bullion—typically silver and gold in bar form—from Kentucky sales and use tax. Additionally, the $60 annual registration fee charged to hybrid vehicles is eliminated, as is a change made to dozens of business services—if such a business service provider has annual revenue of less than $12K, those services would be fully exempt; this is double the current threshold of $6K annually.

Additionally, a new economic development incentive-type credit, a broadband investment tax credit, is created by H.B. 8, capped at an annual allowance of $5M per year for all taxpayers; this would allow companies engaged in the broadband network space to receive credit back for sales taxes paid on supplies for broadband installation.

H.B. 8 passed by a vote of 73-11 on the House floor, generally along party lines, and has moved onto the Kentucky Senate.

For more information, please contact Mark Sommer, Elizabeth Ethington, or any attorney in Frost Brown Todd's Tax practice group. For up-to-date information on tax-related issues, visit our Tax Law Defined Blog.

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