



Header: Revenue package amended in the Senate and budget bills head to conference
Sub-Header: KyCPA's Weekly Recap of the General Assembly
March 25, 2024



Photo Caption: Kentucky Senate Appropriations & Revenue Committee Chair, Senator Chris McDaniel (Kenton County), speaks to KyCPA members during the Covington PIU 2023. Senator McDaniel was recognized as a 2023 Tax Policy Champion.

Kentucky budget and revenue updates

With only six legislative days left in the 2024 Session, [House Bill \(HB\)1](#), [HB6](#), and [HB263](#) moved to a conference committee between the two Chambers in order to negotiate a compromise on the budget bills. As a recap, Senate amendments to the bills added more funding for one-time

appropriations and specific programs within the Executive Branch budget. The two Chambers will need to agree upon a final proposal for Governor Andy Beshear's signature, veto, or allow the bills to become law without his signature.

This week, the Senate also amended [HB8](#), striking and adding provisions from the House version. Senate Appropriations & Revenue (A&R) Committee Chair, Senator Chris McDaniel, outlined specific sections of the amended HB8 during Thursday morning's Committee meeting. Below is a **section-by-section summary** of the proposed revenue legislation.

- **NOTE:** Strikethrough provisions removed from the Senate version, highlighted sections are new.
- **Sections 1, 2, 3:** updated extension to the petroleum storage tank accounts, pp 1-8.
- ~~Section 4: updated extension to new tire fees, pp 8-11.~~
- **Section 4:** will require Kentucky Department of Revenue to submit an annual report on new tax law changes to the Interim Joint Committee on A&R by October 1 of each year. The Department already submits these reports to the Governor's Administration, pp 9.
- **Sections 5, 6, 7, 8:** pari-mutuel tax revenue distributions, pp 9-28.
- **Section 9:** technical correction regarding the excise tax administered by the Kentucky Horse Racing Commission, pp 31.
- **Section 10:** increases the de minimis threshold from \$6,000 to \$12,000 for the sale of tangible personal property outlined by specific statutory reference, pp 28-37.
- **Section 11, 12, 13:** new qualified broadband investment tax credit to support broadband development initiatives in Kentucky, pp 37-49.
- ~~Section 12, 13: exemption of currency and bullion from the sales and use tax, pp 40-64.~~
- **Section 14:** Kentucky's U.S. Internal Revenue Code (IRC) conformity update to 1/1/2024. The update retains the IRC Section 168(k) and 179 conformity exemptions, pp 49-56. **This is a KyCPA policy priority.**
- **Section 15:** Exempts funds appropriated from the Budget Reserve Trust Fund account from the definition of "General Fund appropriations," pp 56-64.
- **Section 16:** delay of the combined group reporting deduction to 1/1/2026, pp 64-69.

- **Section 17:** coal severance tax refund, pp 69.
- **Section 18, 19, 20:** strikes definition of “hybrid vehicle” from Kentucky Revised Statute (KRS). Exemption of hybrid vehicles from the electric vehicle ownership fees, pp 69-85.
- **Section 21:** eliminates the \$5 fee for personal identification cards for individuals without a permanent address, pp 85-89.
- **Section 22, 23, 24, 25, 26, 27:** [HB122](#) provisions, KY DOR administrative writings transparency, pp 89-106. **KyCPA supports this amendment.**
- **Section: 28, 29:** [HB835](#) provisions, includes mains, pipes, pipelines, and conduits in the definition of “real property,” effective 1/1/2023, retroactive, pp 106-116.
- **Section 30:** “Bad debt” deductions related to rental cars, “charged off for income tax purposes,” pp 116-123.
- **Section 31:** [SB129](#) provisions, tax increment financing (TIF) district relief from reduction in individual income tax rate, pp 123-132.
- **Section 32, 33, 34:** local government supplemental contributions, law enforcement foundation program fund, firefighters’ foundation program fund, pp 132-146.
- **Section 35:** child victims trust fund, Transportation Cabinet, special license plates pp146-153.
- **Section 36:** ride sharing companies/services, amendments to definitions of gross receipts and license fees, pp 153-156.
- **Section 37:** establishes fee related film income tax credit, establish office to process income tax credits, pp 156-161.
- **Section 38, 39:** Medicaid reimbursement rates outside of KY, pp 162-163.
- **Sections 40-54:** non-codified budget language, pp 163-166.
- **Sections 55-62:** specific section effective dates, pp 166, 167.

Following Senate amendments, HB8 remains without any new services subject to Kentucky’s sales tax. Another KyCPA policy priority promotes **the avoidance of further expanding Kentucky’s sales tax base to business-to-business services, especially professional services.**

Four of the six remaining legislative days will occur this week from March 25 to 28. The General Assembly will attempt to pass most bills they anticipate the Governor could veto before the end

of the week. The Governor has ten days to sign, veto, or allow a bill to become law without his signature from March 29 to April 11. This built in veto period is designed to provide the General Assembly two final days to pass any veto overrides or final legislation before the Constitutionally required end of Session on April 15, Sine Die.

HB8 passed out of the Senate A&R Committee with amendments and has received two readings on the Senate floor. The legislation has not been considered on the Senate floor for a full vote however, the legislation is likely to pass and proceed to a conference committee for negotiations.

KyCPA 2024 Policy Priorities



Bills to keep an eye on

With primary focus on the budget and revenue bills, other pertinent legislation continues to move through both Chambers of the General Assembly. Check out the priority bills and issues KyCPA is tracking below:

- **Kentucky budget bills:** [HB1](#) authorizes one-time appropriations while [HB6](#) serves as the operating budget for the Executive Branch. [HB262](#) amends the FY2022-2024 Executive Branch budget, [HB263](#) funds the Legislative Branch, and [HB264](#) the Judicial Branch of the Commonwealth.
 - Status: *HB1, HB6, and HB263 have passed both Chambers and are currently in conference committee for a negotiated compromise, 3/21/2024.*

- *HB262 remains with two readings in the Senate, 3/8/2024.*
 - *HB264 was approved by the Senate Appropriations & Revenue Committee, 3/21/2024.*
- **Infrastructure budget bills:** [HB265](#) provides funding for the Transportation Cabinet budget and [HB266](#) road projects appropriations.
 - *Status: both bills have received two readings on the Senate floor, 3/22/2024.*
 - **Revenue bill:** [HB8](#) was amended by the Senate to include multiple revenue provisions. **Kentucky's IRC conformity update to 1/1/2024, a top KyCPA priority, is included in this legislation.** [HB122](#) provisions regarding Department of Revenue transparency are also included.
 - *Status: approved by the Senate Appropriations & Revenue Committee, has two readings on the Senate floor, 3/22/2024.*
 - **Local tax Constitutional amendment:** [HB14](#) would allow the General Assembly the power to provide local governments the ability to diversify revenue sources outside of occupational licensing fees, property, and insurance premium taxes. **The Society remains neutral on this proposed amendment.**
 - *Status: received two of the three readings necessary for a vote on the House floor, 3/12/2024*
 - **Applications for licensure:** [HB124](#) would require hiring and licensing authorities to establish an application process that gives persons convicted of a crime an opportunity to apply for a position of public employment or occupational license before pursuing training.
 - *Status: referred to Senate State & Local Gov. Committee, 3/21/2024.*
 - **Federal tax information background checks:** [HB492](#) would require that each employee of a qualified local government who has access to federal tax information submit to a criminal background check.
 - *Status: Passed the Senate 36-2, 3/22/2024.*
 - **Est. of spendthrift trusts:** [HB771](#) permits the establishment of spendthrift trusts and establishes rules for spendthrift trusts.
 - *Status: received two readings on the Senate floor, 3/22/2024.*
 - **Federal tax legislation:** [H.R.7024](#), *Tax Relief for American Families & Workers Act of 2024*, received two readings on the Senate Floor, 3/21/2024. First actions since received in the Senate on 2/1/2024.

Review all priority legislation KyCPA is tracking **HERE**.

BOI reporting update

On Friday, March 1, a U.S. District Court in Alabama ruled that the **beneficial ownership information (BOI) reporting** required under the Corporate Transparency Act (CTA) is an unconstitutional exercise of Congress's enumerated powers. This ruling puts the reporting requirement into limbo however, the U.S. Department of Treasury filed an official appeal with the U.S. Court of Appeals for the 11th Circuit on March 11. The [Journal of Accountancy](#) provides additional details regarding the appeal.

The holding affects only the plaintiffs, which include the 65,000 businesses that were National Small Business Association (NSBA) members as of 3/1/2024. The case is likely to continue through the judicial process for an indeterminate amount of time. **During that time, small businesses should continue to file BOI reports.**

KyCPA, the AICPA, and the profession continues to push for suspension of the BOI reporting rule.

KyCPA-PAC, [Kentucky Counts on CPAs](#)

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