



Header: Several bills pass the General Assembly and head to the Governor
Sub-Header: KyCPA's Weekly Recap of the General Assembly
April 1, 2024



Photo Caption: Kentucky Senate Appropriations & Revenue Committee Vice Chair, Senator Amanda Mays Bledsoe (Fayette County), was recognized as a 2023 Tax Policy Champion at the Lexington PIU in November.

[Senate Resolution 256](#) was introduced by **Senator Amanda Mays Bledsoe** on March 27 recognizing **June 14, 2024, as KyCPA Appreciation Day in Kentucky** to commemorate the Society's 100-year anniversary.

On June 14, the Society is hosting an official anniversary celebration at The Olmstead in Louisville at 6:00 PM. [Click here](#) to register for this event.



Kentucky budget and revenue updates

On Friday, March 29, the 2024 Legislative Session's ten-day veto period began. Governor Andy Beshear will review all bills passed by the General Assembly prior to March 29 and allow bills to become law without his signature, sign, or veto. Therefore, the Republican Majorities in both Chambers rushed to pass their top priorities before midnight on March 28, especially any legislation they anticipate the Governor will choose to veto.

Due to the Governor's power to veto and line-item veto budget proposals, the General Assembly passed [House Bill \(HB\)1](#), [HB6](#), [HB263](#), [HB264](#), [HB265](#), and [HB266](#) before the veto period began. The two Chambers established free conference committees to negotiate a compromise on all the budget bills. **HB1** authorizes one-time appropriations to state infrastructure and projects, totaling approximately \$2.7 billion from the Budget Reserve Trust Fund or "Rainy Day Fund." The Executive Branch biennial budget, **HB6**, appropriates approximately \$128 billion in restricted, general, and federal funds for the operation of Kentucky's government. Highlights include:

- Significant increases in public school funding through the SEEK formula, increasing the amount per pupil to \$4,326 in fiscal year 2025 and \$4,586 in fiscal year 2026.
- Increases funding for school safety by allocating more than \$34 million toward a school resource officer (SRO) reimbursement program.
- Fully funds all the state pension plans.
- Gives state employees a 3% pay increase in each year of the biennium.
- Allocates an increase of \$548.1 million increase toward Medicaid benefits.

- Allocates millions toward clean water and broadband infrastructure initiatives.

The General Assembly also agreed upon a final revenue proposal, [HB8](#), via a free conference committee. Below is a **section-by-section summary** of the revenue bill that has been sent to the Governor for signature.

- **NOTE:** Strikethrough provisions removed from the final version, highlighted sections are new.
- **Sections 1, 2, 3:** updated extension to the petroleum storage tank accounts, pp 1-8.
- **Section 4:** will require KY DOR to submit an annual report on new tax law changes to the Interim Joint Committee on A&R by October 1 of each year. KY DOR already submits these reports to the Governor's Administration, pp 8, 9.
- **Sections 5, 6, 7, 8:** pari-mutuel tax revenue distributions, pp 9-25.
- **Section 9:** technical correction regarding the excise tax administered by the Kentucky Horse Racing Commission, pp 25, 26.
- **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 26-34.
- **Section 11, 12, 13:** new qualified broadband investment tax credit to support broadband development initiatives in Kentucky, pp 34-46.
- **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 46-52. **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." As a reminder, the individual income tax rate reduction provisions outlined by HB8 2022 Session reference General Fund appropriations when calculating whether the state Treasury meets those reduction requirements, pp 52-59.
- **Section 16:** delay of the combined group reporting deduction to 1/1/2026, pp 59-63.
- **Section 17:** coal severance tax refund, pp 63, 64.
- **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 64-78.
- **Section 21:** eliminates the \$5 fee for personal identification cards for individuals without a permanent address, pp 78-82.

- **Section 22, 23, 24, 25, 26, 27:** [HB122](#), KY DOR administrative writings transparency, pp 82-97.
- ~~**Section: 28, 29:** [HB835](#), includes mains, pipes, pipelines, and conduits in the definition of “real property,” effective 1/1/2023, retroactive.~~
- **Section 28:** “Bad debt” deductions related to rental cars, “charged off for income tax purposes,” pp 97-104.
- **Section 29:** [SB129](#), tax increment financing (TIF) district relief from reduction in individual income tax rate delayed to 2026, pp 104-112.
- ~~**Section 32, 33, 34:** local government supplemental contributions, law enforcement foundation program fund, firefighters’ foundation program fund.~~
- **Section 30:** child victims trust fund, Transportation Cabinet, special license plates pp 112-119.
- **Section 31:** ride sharing companies/services, amendments to definitions of gross receipts and license fees, pp 119-121.
- ~~**Section 37:** establishes fee related film income tax credit, establish office to process income tax credits.~~
- ~~**Section 38, 39:** Medicaid reimbursement rates outside of KY.~~
- **Section 32:** updated extension to new tire fees, pp 121-124.
- **Section 33, 34:** [HB101](#), [SB105](#), [SB121](#), exemption of currency and bullion from the sales and use tax, pp 124-145.
- **Section 35:** new statutory guidance regarding general powers of appointment, inheritance tax, pp 147-150.
- **Section 36:** corporate tax exemption for disaster response businesses extended to 1/1/2027, pp 150-152.
- **Section 37, 38, 39, 40, 41, 42:** new sections of KRS chapter 154, subchapter 20 regarding the KY Economic Development Finance Authority providing incentives for a qualified data center project, pp 165-183.
- **Section 43, 44, 45, 46, 47:** KY tax amnesty program extension into 2024, 2025, pp 183-194.
- **Sections 48-61:** non-codified budget language, pp 194-167.

- **Section 62:** analysis conducted by KY DOR and the Office of State Budget Director to consider sunseting specific tax expenditures, analysis report to be reviewed by the Interim Joint Committee on Appropriations & Revenue, pp 197, 198.
- **Sections 63-68:** specific section effective dates, pp 198.

Following the free conference committee between the two Chambers, 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**. In addition, **there are no retroactive provisions** included HB8. This further demonstrates the importance of KyCPA's **guiding principles of sound tax policy** including clear administrative guidance, certainty, and predictability.

With the start of the veto period on March 29, the General Assembly will conclude legislative business on the final two days of the Session, April 12 and 15. The last two days will see final passage of bills and any veto overrides the General Assembly will prioritize.

KyCPA 2024 Policy Priorities



Bills to keep an eye on

With passage of the budget and revenue bills, other pertinent legislation passed or did not pass both Chambers of the General Assembly by Friday March 29. 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. [HB263](#) funds the Legislative Branch and [HB264](#) the Judicial Branch of the Commonwealth.
 - Status: *The General Assembly agreed upon on all budget bill proposals in free conference committee and have been delivered to the Governor, 3/28/2024.*

- **Infrastructure budget bills:** [HB265](#) provides funding for the Transportation Cabinet budget and [HB266](#) road projects appropriations.
 - Status: *both bills passed the General Assembly, delivered to the Governor, 3/28/2024.*

- **Revenue bill:** [HB8](#) was finalized by both Chambers via a free conference committee. **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: *passed the General Assembly, delivered to the Governor, 3/28/2024.*

- **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 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**.

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

The KyCPA Political Action Committee (KyCPA-PAC) enables the CPA profession to elect business-minded legislators who support our position on issues related to tax, licensing, and client advisory services. By pooling our resources, together we can ensure the accounting profession continues to have a strong presence in Kentucky's legislative and regulatory activities.

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