



Header: Biennial budget proposals and revenue package see key passage in both Chambers
Sub-Header: KyCPA's Weekly Recap of the General Assembly
March 18, 2024



Photo Caption: Kentucky House Appropriations & Revenue Committee Chairs, Representative Jason Petrie (Todd County) and former Representative Brandon Reed (LaRue County) receive the 2023 Tax Policy Champion recognition at KyCPA's Annual Luncheon, June 16, 2023.

Kentucky budget and revenue updates

This week, key legislation saw movement in the Kentucky House and Senate. The Senate Appropriations & Revenue (A&R) Committee introduced amendments to the House biennial budget proposals including an additional \$1.7 billion in one-time appropriations to [House Bill \(HB\)1](#). The supplemental funding consists primarily of project specific initiatives. The Executive Branch budget proposal, [HB6](#), also received increased appropriations adding \$130 million to the state's administrative operations. Both bills passed the Senate 37-1 however the House did not

concur with the upper Chamber's amendments. Therefore, the bills will now proceed to a conference committee consisting of both parties' Leadership and A&R Committee Chairs from both Chambers. The two Chambers will need to determine a compromise to send the bills to the Governor for signature, veto, or allow the bills to become law without his signature.

In the House, the A&R Committee introduced amendments to [HB8](#), transforming the legislation into the anticipated revenue package. Chair Jason Petrie outlined specific sections of HB8 during Thursday afternoon's Committee meeting. Below is a **section-by-section summary** of the proposed revenue legislation.

- **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 5:** will require the Kentucky Department of Revenue 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 currently submits similar annual reports to the Governor's office, pp 11-12.
- **Sections 6, 7, 8, 9:** pari-mutuel tax revenue distributions, pp 12-30.
- **Section 10:** technical correction regarding the excise tax administered by the Kentucky Horse Racing Commission, pp 31.
- **Section 11:** increases the de minimis threshold from \$6,000 to \$12,000 for the sale of tangible personal property outlined by specific statutory reference, pp 31-40.
- **Section 12, 13:** exemption of currency and bullion from the sales and use tax, pp 40-64.
- **Section 14:** new statutory guidance regarding general powers of appointment, inheritance tax, pp 64-68.
- **Section 15, 16, 17:** new qualified broadband investment tax credit to support broadband development initiatives in Kentucky, pp 68-80.
- **Section 18: Kentucky's U.S. Internal Revenue Code (IRC) conformity update to 1/1/2024.** The update retains the IRC Section 168(k) and 179 exemptions. **This is a top KyCPA priority this Session,** pp 80-87.
- **Section 19:** Exempts funds appropriated from the Budget Reserve Trust Fund account from the definition of "General Fund appropriations," pp 87-94.
- **Section 20:** delay of the combined group reporting deduction to 1/1/2026, pp 94-99.

- **Section 21:** coal severance tax refund, pp 99-100.
- **Section 22, 23, 24:** strikes definition of “hybrid vehicle” from Kentucky Revised Statute (KRS). Exemption of hybrid vehicles from the electric vehicle ownership fees, pp 100-116.
- **Section 25:** eliminates the \$5 fee for personal identification cards for individuals without a permanent address, pp 116-120.
- **Sections 26-39:** non-codified budget language, pp 116-123.
- **Sections 40-46:** specific section effective dates, pp 123-124.

Notably missing from HB8 are 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** like accounting, bookkeeping, client advisory, and financial management. As objective tax policy professionals, the Society recommends Kentucky enact and retain tax laws that ensure sales and use taxes apply only to the end user. Business to business transactions should be exempt from sales and use taxes because application of the tax causes the tax to pyramid and drives up the cost of goods and the cost of doing business.

On Friday, March 15, the House passed HB8 73-11, sending the legislation to the Senate for consideration and expected amendments.

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 will head to conference committee for a negotiated compromise, 3/15/2024.*
 - *HB262 and HB264 remain with two readings in the Senate, 3/8/2024.*

- **Infrastructure budget bills:** [HB265](#) provides funding for the Transportation Cabinet budget and [HB266](#) road projects appropriations.
 - Status: *Referred to Senate Transportation Committee, 3/8/2024.*

- **Revenue bills:** [HB8](#) was amended to include multiple revenue provisions. **Kentucky's IRC conformity update to 1/1/2024, a top KyCPA priority, is included in this legislation.**
 - Status: *Passed the House 73-11, heads to the Senate for consideration, 3/15/2024.*

- **Revenue transparency:** [HB122](#) would require the Kentucky Department of Revenue to publish “administrative writings” on their website within 120 days of issuance or finalization. **The Society supports this legislation.**
 - Status: *Referred to Senate Appropriations & Revenue Committee, 3/15/2024.*
- **LLET bills:** [HB55](#) repeals the limited liability entity tax (LLET) and [HB120](#) exempts entities with gross receipts less than \$100,000 from the LLET. **KyCPA supports these pieces of legislation.**
 - Status: *Remain under consideration in the House, 1/18/2024.*
- **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.*
- **Property tax Constitutional amendment:** [SB23](#) would include in the homestead exemption for owners 65 years or older any increase in the valuation of the real property that is assessed after the later of the year the owner turned 65 or the year the owner purchased the property. **The Society takes a neutral stance on this proposed amendment.**
 - Status: *Passed the Senate 32-2-1, referred to House Elections, Constitutional Amendments & Intergovernmental Affairs Committee, 3/7/2024*
- **Federal tax legislation:** [H.R.7024](#), *Tax Relief for American Families & Workers Act of 2024*, is currently under review in the U.S. Senate. [H.R.7160](#), *SALT Marriage Penalty Elimination Act*, has been referred to U.S. House Ways & Means Committee for consideration.

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 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.

Louisville Metro, MeF Filing Update

In the Revenue Commission's most recent communication, it was announced the forthcoming electronic filing of the OL-3 form through the CCH vendor software. That information was incorrect – however, the Revenue Commission is actively working with the vendor to implement this form in time for the 2024 filing season. The OL-S form is available for electronic filing through CCH vendor software for tax year 2023.

Form OL-3EXT has been successfully implemented for electronic filing through the CCH vendor software. For more information on the Louisville Metro Revenue Commission's approved vendors and forms visit the [Modernized Electronic Filing](#) (MeF) webpage.

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

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