

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2024 REGULAR SESSION**

MEASURE

2024 BR NUMBER 490

HOUSE BILL NUMBER 129

TITLE AN ACT relating to taxation of veterans' wages.

SPONSOR Representative Shawn McPherson

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: _____

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

FISCAL ESTIMATES	2023-2024	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$84,600,000)	(\$175,100,000)	
EXPENDITURES				
NET EFFECT		(\$84,600,000)	(\$175,100,000)	

() indicates a decrease/negative

PURPOSE OF MEASURE: House Bill 129 proposes to exclude resident veterans' wage and salary income from individual income taxation.

FISCAL EXPLANATION: To determine the fiscal impact of this legislation, staff used Kentucky's 2022 median income for veterans, as reported by the American Community Survey (ACS), and inflated it by the average growth rate of Kentucky veterans' wage income. The 2022 median income amount of \$43,325, inflated for 2025 and 2026, is estimated to be approximately \$51,700 and \$54,800, respectively.

Staff then applied the four percent Kentucky individual income tax rate to these estimated median income amounts. Kentucky individual income tax paid per veteran is estimated to be approximately \$2,100 in 2025 and \$2,200 in 2026. Staff then estimated the number of veterans ages 18 to 64 that will be employed in Kentucky in 2025 and 2026 and multiplied these numbers by the estimated total tax paid per veteran.

It is estimated that the negative fiscal impact of this proposed legislation would be approximately \$84.6 million in FY 2025 and \$175.1 million in FY 2026. Because the beginning of tax year 2025 aligns with only the second half of FY 2025, half a year's worth of exemptions of veterans' wage and salary income from Kentucky's individual income tax is realized. However, full implementation will be realized in FY 2026.

DATA SOURCE(S): LRC Staff and American Community Survey (ACS)

PREPARER: Sarah Watts **NOTE NUMBER:** 24 **REVIEW:** JH **DATE:** 2/7/2024