

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

MEASURE

2024 BR NUMBER 1419

HOUSE BILL NUMBER 442

TITLE AN ACT relating to an exemption of sales and use tax for certain nonprofits.

SPONSOR Representative James Tipton

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	2023-20234	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$3,762,500)	(\$4,300,000)	(\$4,300,000)
EXPENDITURES				
NET EFFECT		(\$3,762,500)	(\$4,300,000)	(\$4,300,000)

() indicates a decrease/negative

PURPOSE OF MEASURE: HB 442 would exempt resident, nonprofit educational, charitable, or religious institutions from sales and use tax on their sales to customers of tangible personal property, digital property, or services. Currently, they are exempt from tax on purchases they make of tangible personal property, digital property, or services which are used solely within the educational, charitable, or religious function. The new exemption would not apply to sales at a tourism development project approved under KRS 148.851 to 148.860 nor to an institution that qualifies for a refund of a portion of the tax collected on its sales of donated goods as provided in subsection (3) of KRS 139.495.

FISCAL EXPLANATION: The potential fiscal impact of HB 442 has been estimated based on data from the United States Census Bureau North American Product Classification System.

A negative impact of \$3,762,500 is estimated for fiscal year 2024-2025. Without a specific date of application, the legislation would become effective 90 days after sine die of the 2024 Regular Session. Upon full implementation in fiscal year 2025-2026, the fiscal impact is estimated to be a negative impact to the general fund of \$4,300,000.

DATA SOURCE(S): <https://www.census.gov/programs-surveys/economic-census/year/2017/economic-census-2017/guidance/understanding-napcs.html>; **LRC Economists and Appropriations and Revenue Staff**

PREPARER: Katy Jenkins **NOTE NUMBER:** 67 **REVIEW:** JH **DATE:** 3/5/2024