

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2016 REGULAR SESSION**

**MEASURE**

2016 BR NUMBER **0121**

**HOUSE** BILL NUMBER **512**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE** **An ACT relating to the taxation of disregarded entities.**

**SPONSOR** **Representative Gerald Watkins**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT     NO IMPACT     INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:  STATE     LOCAL     FEDERAL

BUDGET UNIT(S) IMPACT: \_\_\_\_\_

FUND(S) IMPACT:  GENERAL     ROAD     FEDERAL     RESTRICTED AGENCY \_\_\_\_\_     OTHER

**FISCAL SUMMARY**

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
<b>REVENUES</b>		(Indeterminable)	(Indeterminable)	
<b>EXPENDITURES</b>				
<b>NET EFFECT</b>		(Indeterminable)	(Indeterminable)	

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** HB 512, if enacted, would exempt from sales and use tax any resident, single member limited liability company that is wholly owned by a resident, nonprofit educational, charitable, or religious institution which has qualified for exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and that is disregarded as an entity separate from that institution.

**PROVISIONS/MECHANICS:** Amends KRS 139.495 to exempt from sales and use tax, purchases by any resident, single member limited liability company that is wholly owned by a resident, nonprofit educational, charitable, or religious institution which has qualified for exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and that is disregarded as an entity separate from that institution; EFFECTIVE August 1, 2016.

**FISCAL EXPLANATION:** KRS 139.495 currently exempts from sales and use tax purchases of tangible personal property, digital property, and services by resident, nonprofit educational, charitable, or religious institutions that have qualified for exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code if those purchases are to be used solely within the educational, charitable, or exempt function. Purchases made directly by the

limited liability company even though disregarded as a separate entity from the educational, charitable, or religious institution for federal income tax purposes do not qualify for exemption. HB 512, if enacted, would allow the purchases made by the disregarded entity to be exempt from sales and use tax. For FY 2016-2017 and FY 2017-2018, there will be a negative, but indeterminable, fiscal impact to the General Fund. There is no fiscal impact in FY 2015-2016 as the exemption is not effective until August 1, 2016.

**DATA SOURCE(S):** \_\_\_\_\_

**PREPARER:** Charlotte T. Quarles **NOTE NUMBER:** 154 **REVIEW:** JRS **DATE:** 3/21/2016