

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

MEASURE

2024 BR NUMBER 1567

HOUSE BILL NUMBER 835

TITLE AN ACT relating to real property.

SPONSOR Representative Kim Banta

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	(indeterminable)	(indeterminable)	(indeterminable)	(indeterminable)
EXPENDITURES				
NET EFFECT	(indeterminable)	(indeterminable)	(indeterminable)	(indeterminable)

() indicates a decrease/negative

PURPOSE OF MEASURE: The purpose of HB 835 is to amend the definition of "real property" for property tax purposes to include mains, pipes, pipelines, and conduits that are authorized to be installed in, upon, or under any public or private street or place and used in the collection, transmission, distribution, conducting, sale or furnishing of heat, steam, water, sewage, natural or manufactured gas, or electricity to or for the public.

FISCAL EXPLANATION: Historically, the Department of Revenue classified pipelines as real property. Beginning in 2023, pipelines were reclassified as tangible personal property as a result of the ruling in the court case, Department of Revenue v. Marathon Pipe Line LLC, 653 S.W.3d 104 (Ky. App. 2022). HB 835 will restore the classification of real property for certain mains, pipes, pipelines, and conduits.

HB 835 contains a retroactive clause, which will allow the amended definition of real property to apply on or after January 1, 2023. The state tax rate for tangible personal property is 45¢ per \$100 of assessed value. The state tax rate for real property is 11.4 ¢ per \$100 of assessed value. In accordance with KRS 134.590, taxpayers who paid property tax upon the classification of

tangible personal property and whose property is now classified as real property under HB 835 may request a refund.

The data needed to compute the fiscal impact of HB 835 is not available; however, due to the lower tax rate for real property, the fiscal impact is expected to be a reduction in general fund moneys.

DATA SOURCE(S): Kentucky Department of Revenue; LRC Staff

PREPARER: Cynthia Brown NOTE NUMBER: 141 REVIEW: JH DATE: 3/25/2024