

KY H 1, Enacted - Final

Kentucky

SUMMARY: Relates to the individual income tax rate; provides that for taxable years beginning on or after the specified date, the tax shall be a specified percent of net income; provides that for certain taxable years, the income tax rate may be reduced according to the specified annual process; provides that the Office of State Budget Director shall review the reduction conditions for the specified fiscal year.~SAME AS:

Changes in Bill text reflected as:

~~Text Deleted~~

Text Added

~~Text Vetoed~~

Current Legislative Status

01/07/2025 INTRODUCED.

01/07/2025 To HOUSE Committee on COMMITTEES.

01/07/2025 Taken from HOUSE Committee on COMMITTEES.

01/07/2025 1st Reading.

01/07/2025 Returned to HOUSE Committee on COMMITTEES.

01/07/2025 To HOUSE Committee on APPROPRIATIONS AND REVENUE.

01/08/2025 From HOUSE Committee on APPROPRIATIONS AND REVENUE: Reported favorably.

01/08/2025 2nd Reading, to Committee on RULES.

01/08/2025 Floor Amendment filed. Amendment No. (1), (2-title), (3), (4-title), (5), (6), (7-title), (8), (9), (10-title) and (11).

01/08/2025 Posted for passage in Regular Orders of the Day.

01/09/2025 3rd Reading.

01/09/2025 Floor Amendment defeated. Amendment No. (8).

01/09/2025 Floor Amendment ruled out of order. Amendment No. (5)

01/09/2025 Floor Amendment ruled not germane. Amendment No. (11).

01/09/2025 Passed HOUSE. *****To SENATE.

01/09/2025 To SENATE Committee on COMMITTEES.

01/09/2025 Taken from SENATE Committee on COMMITTEES.

01/09/2025 1st Reading.

01/09/2025 Returned to SENATE Committee on COMMITTEES.

01/10/2025 Floor Amendment filed. Amendment No. (1).

01/10/2025 Taken from SENATE Committee on COMMITTEES.

01/10/2025 2nd Reading.

01/10/2025 Returned to SENATE Committee on COMMITTEES.

01/10/2025 To SENATE Committee on APPROPRIATIONS AND REVENUE.

02/04/2025 From SENATE Committee on APPROPRIATIONS AND REVENUE: Reported favorably.

02/04/2025 To Rules.

02/04/2025 Posted for passage in Regular Orders of the Day.

02/04/2025 Floor Amendment filed. Amendment No. (2).

02/04/2025 3rd Reading.

02/04/2025 Floor Amendment withdrawn. Amendment No. (1)

02/04/2025 Passed SENATE.

02/04/2025 Enrolled.

02/05/2025 *****To GOVERNOR.

02/06/2025 Signed by GOVERNOR.

02/06/2025 Act No. 1

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session: Kentucky 2025 Regular Session

cite: 2025 KY H 1

Enacted - Final

February 6, 2025

Petrie

KENTUCKY LEGISLATURE

HB 1

2025 Regular Session

(Act ch. 1)

AN ACT relating to the individual income tax rate.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

Section 1. KRS 141.020 is amended to read as follows:

(1) An annual tax shall be paid for each taxable year by every resident individual of this state upon his or her entire net income as defined in this chapter. The tax shall be determined by applying the rates in subsection (2) of this section to net income and subtracting allowable tax credits provided in subsection (3) of this section.

(2) (a) As used in this subsection:

1. "Balance in the BRTF at the end of a fiscal year" means the budget reserve trust fund account established in KRS 48.705 and includes the following amounts and actions resulting from the final close of the fiscal year:

a. The amount of moneys in the fund at the end of a fiscal year;

b. All close-out actions related to a budget reduction plan under KRS 48.130 or as modified in a branch budget bill; and

c. All close-out actions related to the surplus expenditure plan under KRS 48.140 or as modified in a branch budget bill;

2. "GF appropriations" means the authorization by the General Assembly to expend GF moneys, excluding:

a. Continuing appropriations;

b. Any appropriation to the budget reserve trust fund;

c. Any lump-sum appropriation to a state-administered retirement system, as defined in KRS 7A.210, that is in excess of the appropriations specifically budgeted to meet the recurring statutorily required contributions or recurring actuarially determined contributions for a state-administered retirement system under KRS 21.525, 61.565, 61.702, 78.635, 78.5536, or 161.550, as applicable; and

d. Any appropriation from the budget reserve trust fund account established in KRS 48.705 that is:

i. Solely supported by moneys from the budget reserve trust fund account; and

ii. Specifically identified in the appropriation language as not being a GF appropriation for the purposes of this section;

3. "GF moneys" means receipts deposited in the general fund defined in KRS 48.010, excluding tobacco moneys deposited in the fund established in KRS 248.654;

4. "IIT equivalent" means the amount of reduction in GF moneys resulting from a one (1) percentage point reduction to the individual income tax rate and shall be calculated by dividing the actual individual income tax receipts for the fiscal year under consideration by:

a. The sum of:

i. The individual income tax rate, expressed as a percentage, for the first six (6) months of the fiscal year; and

ii. The individual income tax rate, expressed as a percentage, for the second six (6) months of the fiscal year; and

b. Dividing the sum determined in subdivision a. of this subparagraph by two (2);

5. "Reduction conditions" means:

a. The balance in the BRTF at the end of a fiscal year shall be equal to or greater than ten percent (10%) of the GF moneys for that fiscal year; and

b. GF moneys at the end of a fiscal year shall be equal to or greater than GF appropriations for that fiscal year plus the IIT equivalent for that fiscal year; and

6. "Tax rate reduction" means the current tax rate minus five-tenths of one percent (0.5%).

(b) For taxable years beginning on or after January 1, 2023, but prior to January 1, 2024, the tax shall be four and one-half percent (4.5%) of net income.

(c) For taxable years beginning on or after January 1, 2024, *but before January 1, 2026*, the tax shall be four percent (4%) of net income.

(d) *For taxable years beginning on or after January 1, 2026, the tax shall be three and one-half percent (3.5%) of net income.*

(e) 1. For taxable years beginning on or after January 1, ~~2027~~ ~~2025~~, the income tax rate may be reduced according to the annual process established in subparagraphs 2. to 5. of this paragraph.

TEXT OMITTED, DOES NOT PERTAIN TO FILM