

Kentucky: Governor Beshear Halts Vehicle Property Tax Increase, Proposes Sales Tax Cut

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Kentucky Governor Andy Beshear issued an executive order on February 16, 2022 intended to stop an increase in vehicle property taxes for 2022. Used car values in Kentucky have risen approximately 40% since last year, from \$8,006 to \$11,162. Under Governor Beshear's order, taxpayers will pay a similar amount of tax to what they paid in 2021, assuming they own the same vehicle in the same condition and in the same county. The relief will continue through the next two years. If a taxpayer has already paid their 2022 property tax on their vehicle, they will receive a refund from their county clerk.

Kentucky law generally requires the General Assembly to exempt all or part of the personal property tax applied to vehicles. The Senate issued Senate Joint Resolution 99 (R.S. 2022) earlier this year that stated that the Governor could also provide vehicle property tax relief. Following that joint resolution, Governor Beshear issued his executive order.

In addition to cutting vehicle property taxes, Governor Beshear also proposed a temporary sales tax cut of 1%, from 6% to 5%, which would last from July 1, 2022 to June 30, 2023. Governor Beshear proposed the measure as a way to combat inflation, and stated that it would decrease sales tax costs for all Kentucky families by more than 16% given the US inflation rate of 7.5%. The proposal is made in conjunction with Rep. Angie Hatton, who is filing the legislation in the House.

However, the proposed legislation put forth by Governor Beshear and Rep. Hatton, both Democrats, is in direct contrast to other tax reform proposals from the Republican supermajority in the Kentucky General Assembly. Kentucky's Republican legislators are proposing to cut the individual income tax rate, the corporate income tax rate, and abolishing Kentucky's limited liability entity tax, while raising the state's sales tax.

Given the stark differences between the two proposals, and the fact that the Republicans hold a supermajority in the General Assembly, Governor Beshear and Rep. Hatton's plan likely faces an uphill battle.

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