





EY Payroll NewsFlash Workforce Tax Services

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Kentucky law lowers personal income tax rates for 2023 and 2024 and removes triggers for future rate cuts

On February 17, 2023, Kentucky Governor Andy Beshear signed into law [H.B.1](#), which lowers the state personal income tax rate to 4.5% retroactive to January 1, 2023, and to 4.0% effective January 1, 2024.

H.B. 1 has no impact on the current 2023 tax rate of 4.5%, but removes a provision that would allow for future rate cuts contingent on meeting certain benchmarks.

As previously reported (see *EY Tax Alert* [2022-0564](#)), [H.B. 8](#) was enacted in April 2022, reducing individual income tax rates. Many of the law's provisions took effect on January 1, 2023, including the initial reduction in the individual income tax rate from 5.0% to 4.5%. H.B. 8 also established tax triggers that, contingent upon revenue meeting certain benchmarks, could phase down the individual income tax rate to zero over many years, starting with a likely further reduction from 4.5% to 4.0% in 2024.

H.B. 8 (2022) is superseded by H.B. 1 (2023).

In September 2022, the Kentucky Department of Revenue [announced](#) the individual tax rate of 4.5% for 2023, a 0.5% decrease from 2022.

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