



# 2025 Interim Joint Committee on Local Government

June 24, 2025

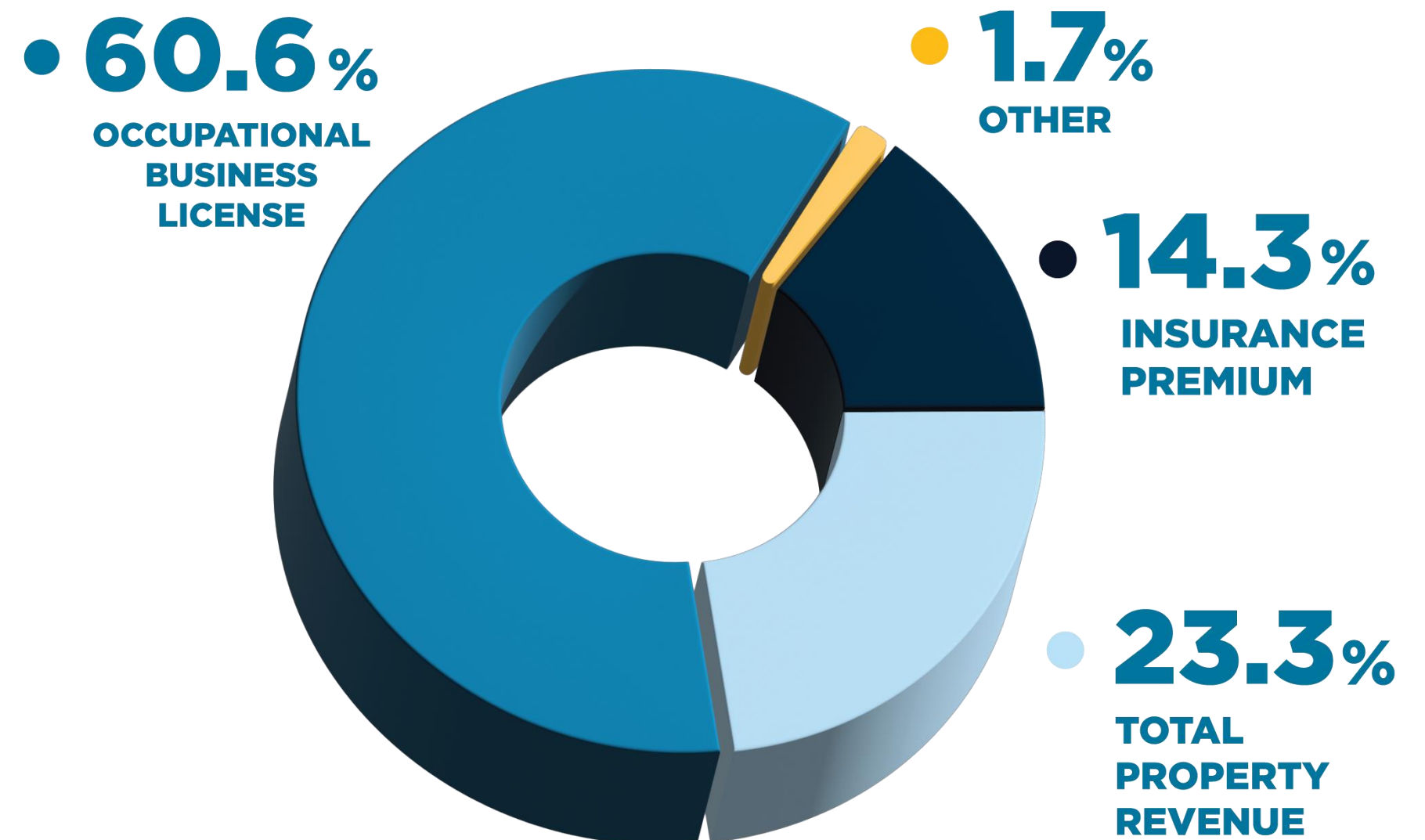
J.D. Chaney  
KLC Executive Director/CEO

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# Municipal Tax Revenues

## Primary sources of revenue:

- Occupational License Fees
- Property Taxes
  - Real
  - Tangible Personal
  - Motor Vehicles/Watercraft
- Insurance Premiums Taxes



# Occupational License Fees

- **Constitutional Authority**
  - Section 181 allows cities to levy license fees and taxes for revenue as permitted by the General Assembly.
- **Statutory Authority**
  - KRS 92.281
    - Allows cities to levy a tax on wages, net profits, and certain business activities.
  - KRS 68.197
    - Applies if a city is in a county with 30,000+ population.
    - Requires a credit: taxpayers who pay a county license fee get a credit against their city license fee to prevent double taxation and the stacking of local taxes.
  - KRS 67.750-795
    - Establishes statewide standardization for local occupational taxes, including uniform definitions, allocation rules, and standard reporting forms.

Tax Type	Number of Cities
Gross Earnings	170
Net Profits	89
Gross Receipts	39

# Property Taxes

- **Constitutional Limits**

- KY Constitution § 157
  - The Kentucky Constitution sets a maximum property tax rate for cities based on population size.

City Population	Maximum Rate per \$100 Assessed Value
15,000+ people	\$1.50
10,000–14,999 people	\$1.00
Under 10,000 people	\$0.75

- **Statutory Requirements**

- KRS Chapter 132
  - General assessment and levy procedures.
- KRS 92.280
  - Cities must adopt a property tax rate by ordinance.
- KRS 132.027 (HB 44)
  - Limits annual revenue increases — not the nominal rate:
    - Compensating rate: Produces same revenue as prior year.
    - 4% rate: Allows up to a 4% revenue increase over prior year without petition.
    - Above 4%: Requires a public hearing & can be recalled by voter petition.
- KRS 132.810 (Homestead Exemption)
  - Reduces the taxable value of the primary residence for seniors (age 65+) and totally disabled homeowners.
  - Amount adjusts every 2 years for inflation.

# Insurance Premium Tax

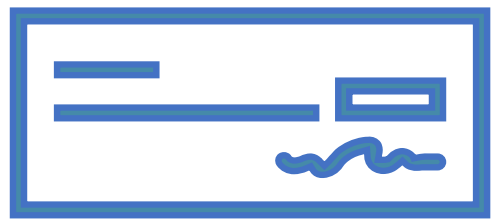
- **Statutory Authority**
  - Authorized by KRS 91A.080
  - Cities may levy a tax on insurance premiums for policies issued within city limits.
  - Insurers collect the tax and remit it to the city.
- **Applies to:**
  - Casualty
  - Automobile
  - Inland Marine
  - Fire and Allied Perils
  - Health
  - Life



# Municipal Revenue by Source and Population

Population Range	Number of Cities in Population Range	Property Revenue	Occupational Business License Revenue	Insurance Premium Revenue
100,000 or greater	2	\$144,982,475	\$385,983,155	\$58,829,619
99,999 – 19,000	19	\$6,334,347	\$21,913,985	\$5,432,113
18,999 – 10,000	22	\$2,458,125	\$7,401,614	\$2,095,310
9,999 – 5,000	37	\$7,052	\$3,384,572	\$967,885
4,999 or less	328	\$1,224	\$620,508	\$197,127

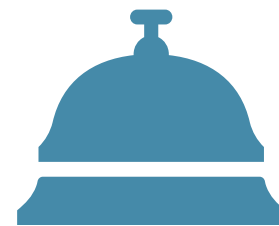
# Additional Revenues



Bank Deposit  
Franchise Fees



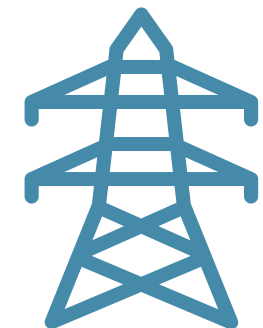
Alcoholic Beverage  
Licenses & Regulatory  
Fees



Hotel Transient  
Room Taxes



Restaurant Taxes

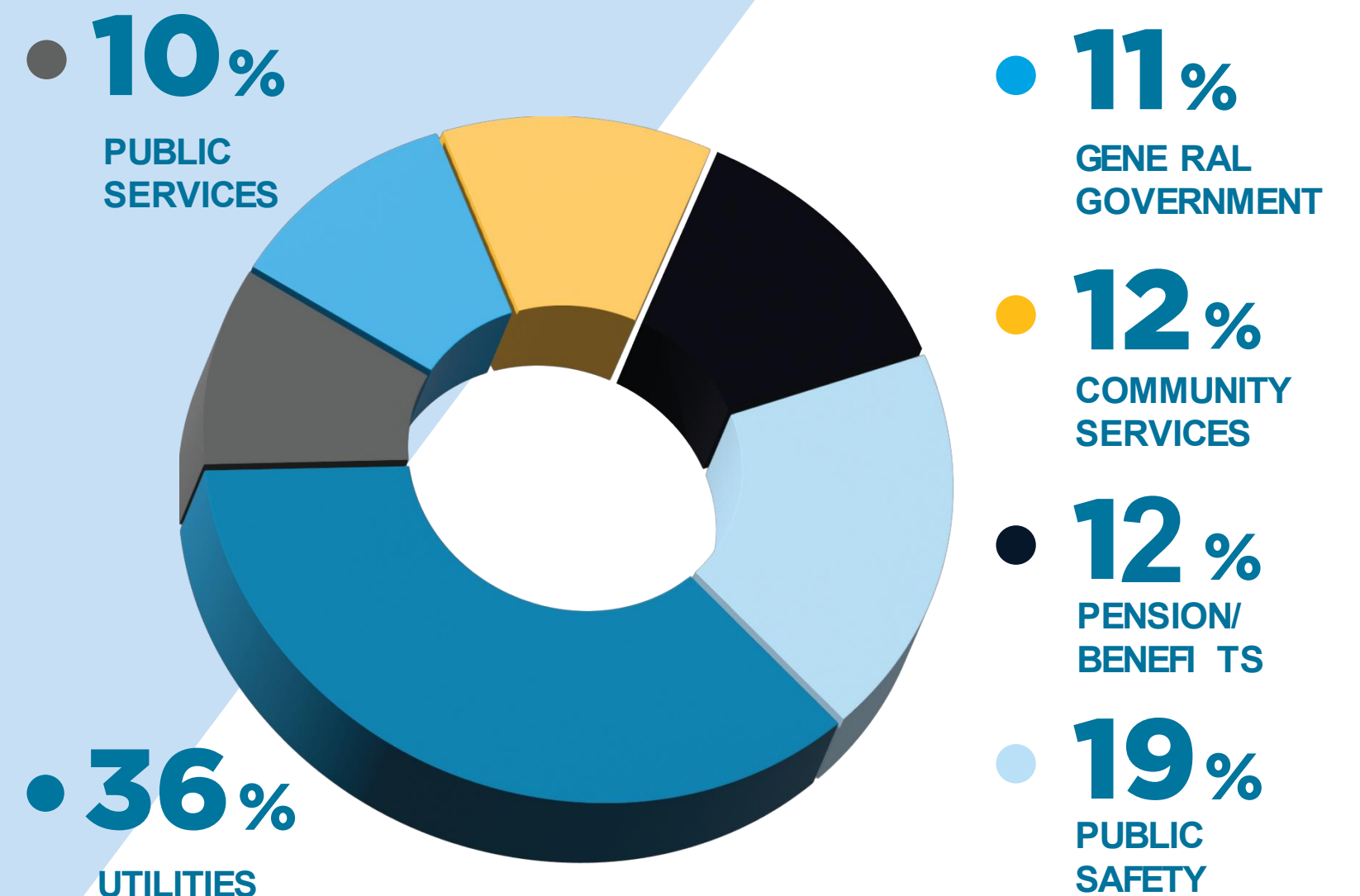


Franchise Fees:  
Electric, Natural Gas,  
Water/Wastewater,  
Other



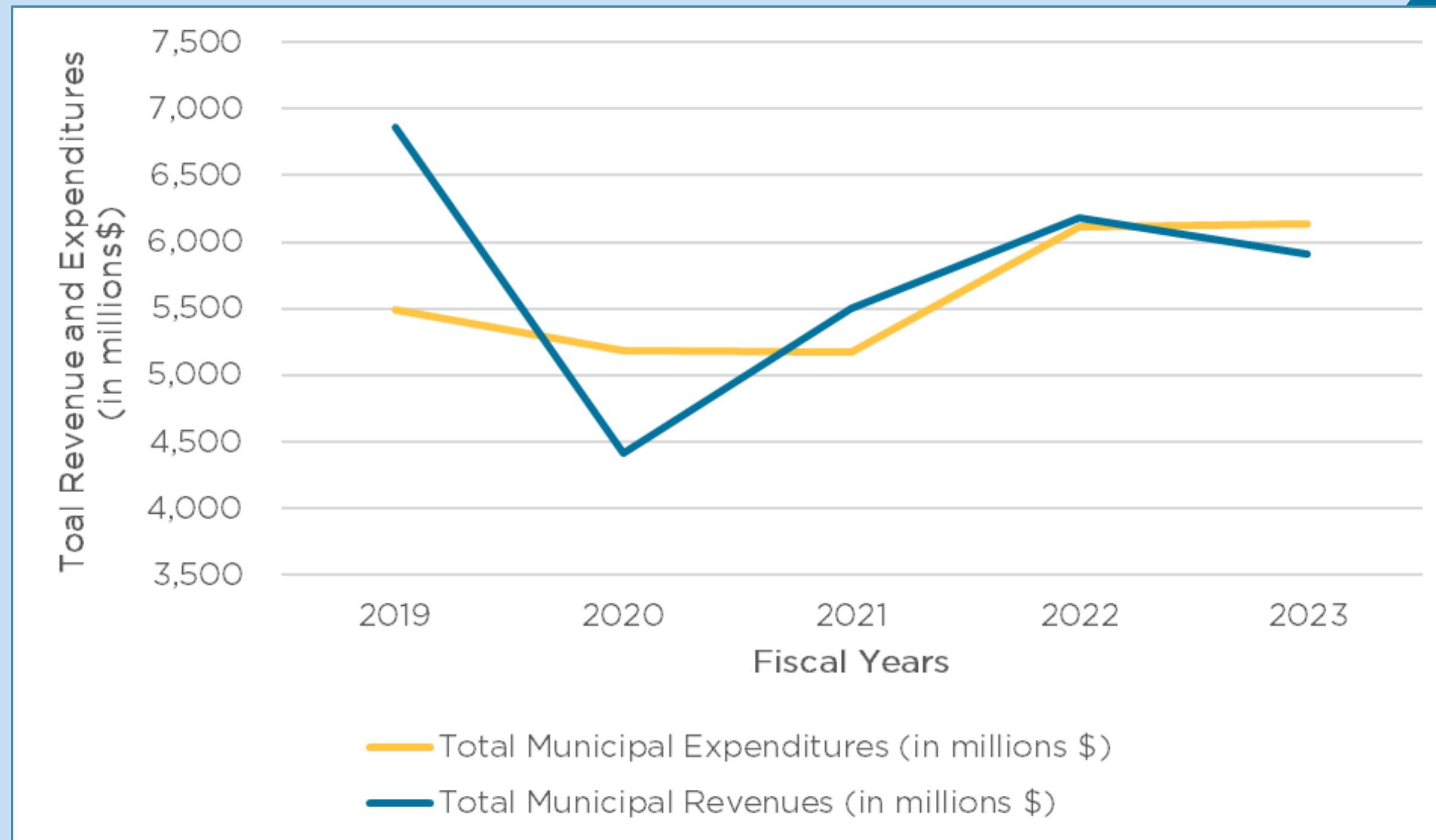
# City Services and Expenditures

- Kentucky cities provide essential services that keep communities safe, healthy, and thriving.
- Core services typically include:
  - Public Safety: Police, fire, and EMS protection.
  - Infrastructure: Streets, roads, sidewalks, and street lighting.
  - Utilities: Water, sewer, and stormwater management.
  - Community Services: Parks and recreation, libraries, housing assistance, and code enforcement.
  - Public Health & Welfare: Local health programs, senior services, and social support.
  - Transportation: Public transit and local transportation systems.
  - General Government: Planning, zoning, and administrative support.
  - Employee Pensions & Benefits: Funding for retirement and health benefits for city workers.





# Rising Costs Outpace Local Revenue Growth





# THANK YOU

KLC.ORG

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