

BUDGET REVIEW SUBCOMMITTEE ON GENERAL GOVERNMENT, FINANCE, PERSONNEL, AND PUBLIC RETIREMENT

Minutes of the 4th Meeting of the 2023 Interim

September 20, 2023

Call to Order and Roll Call

The fourth meeting of the Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement was held on September 20, 2023, at 9:00 AM in Room 131 of the Capitol Annex. Senator Michael J. Nemes, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Michael J. Nemes Co-Chair; Representatives Ken Fleming Co-Chair; Chris Freeland Co-Chair; Senators Amanda Mays Bledsoe, Christian McDaniel, Robby Mills, and Reginald Thomas; Representatives Kevin D. Bratcher, Randy Bridges, David Hale, Al Gentry, Mary Beth Imes, DJ Johnson, and Nancy Tate.

Guests: Scott Hall, Executive Director, Georgetown/Scott County Revenue Commission, Past President of the Kentucky Occupational License Tax Administrators; Joe Meyer, Mayor, City of Covington; Shellie Hampton, Director of Government Affairs, Kentucky Association of Counties

LRC Staff: Emma Mills, Jeremy Simpson, and Jennifer Luttrell.

Approval of Minutes (August 2, 2023)

Representative Bratcher moved to approve the August 2, 2023, meeting minutes. The motion was seconded by Representative Tate, and the minutes were approved without objection.

Local Taxes Collected on Remote Workers

Mr. Hall, Mr. Meyer, and Ms. Hampton provided information on the local taxes collected on remote workers.

In response to a question from Representative Bratcher regarding why remote work tax refunds are given, Mr. Hall said HB249 requires that the occupational license tax be based on payroll and net profits where the work is performed.

In response to a question from Senator Mays Bledsoe regarding routinely stationed as remote workers, Mr. Hall said the employers are correctly reporting because policies are more set in stone. The employee refund option helps employees receive the improper funds sent to the cities and counties.

In response to a question from Representative Bridges regarding whether taxes are paid in the employees' homes' jurisdictions and how this is accounted for and collected, Mr. Hall said a policy was established in Georgetown, Kentucky, to notify each jurisdiction of employees working in those jurisdictions.

In response to a question from Representative Tate regarding taxes that are owed being

reported, Mr. Hall said it is the cities' and counties' responsibility, not the employee's, to report owed taxes.

In response to a question from Senator McDaniel about whether HB249 required jurisdictions to provide the return before the issuance of a refund, Mr. Hall said there was no such provision.

Mr. Hall agreed with Chair Nemes that not all jurisdictions have an occupational tax and that the employees must know if they owe taxes when requesting a refund.

In response to a question from Chair Nemes regarding whether taxes are collected on someone who travels to Toyota from Japan, Mr. Hall said yes.

In response to questions from Senator Mills regarding the options needed for local governments and how the local governments would ensure the General Assembly that there was no abuse of these options, Mr. Meyer replied there are three sources of revenue, including property tax, municipal insurance premium tax, and occupational license fee which makes up 80 percent of the revenue and are directly accountable to its citizens and the structure the General Assembly creates to safeguard the citizens from abuse.

In response to a question from Representative Fleming regarding whether an analysis was done regarding compensation for the loss of income to cities and counties, Mr. Meyer and Ms. Hampton said there was no current analysis. Representative Fleming stated that an analysis would help develop a constitutional amendment for a local options sales tax that will be considered in the 2024 Regular Session. Knowing the financial impact would help in being transparent with taxpayers about what is going on and what is to be expected. Ms. Hampton added that cities and counties would need exact numbers. The Department of Revenue can also provide estimates to do an analysis. All presenters would favor a constitutional amendment. Mr. Hall emphasized Mr. Meyer's remarks that each city and county are different and that a one-size-fits-all approach would not work.

In response to questions from Senator Thomas regarding other sources of revenue, Mr. Hall replied that cities and counties are constitutionally prohibited from imposing an income tax as the Commonwealth does, which is the reason for occupational taxes. There are more consumption-based taxes that may work for specific cities and counties. Still, the Kentucky League of Cities favors a constitutional amendment to provide more options, and what those options are would be open for discussion. Senator McDaniel commented that it would be wise to seek expert advice to resolve this issue of providing more revenue options.

Adjournment

There being no further business before the subcommittee, the meeting was adjourned at 9:53 AM.