

67C.147 Taxes and services in area of former city of the first class -- Imposition of different tax rates -- Separate rates for land and improvements -- Urban service tax district -- Reporting requirements -- Modification of boundaries -- Reimbursement to fire districts operating into the area of the urban service tax district -- Use of revenue from differential tax rate.

- (1) In order to maintain the tax structure, tax rates, or level of services in the area of the consolidated local government formerly comprising the city of the first class, the legislative council of a consolidated local government may provide in the manner described in this chapter for taxes and services within the area comprising the former city of the first class which are different from the taxes and services which are applicable in the remainder of the county. These differences may include differences in tax rates upon the class of property which includes the surface of the land, differences in ad valorem tax rates upon personal property, and differences in tax rates upon insurance premiums.
- (2)
 - (a) Any difference in the ad valorem tax rate on the class of property which includes the surface of the land in the portion of the county formerly comprising the city of the first class and in the portion of the county other than that formerly comprising the city of the first class may be imposed directly by the consolidated local government council.
 - (b) For purposes of this section, the consolidated local government council may by ordinance adopt the following two (2) distinct subclassifications of real property for purposes of taxation within the portion of the county formerly comprising the city of the first class:
 1. "Land," which means the surface of the earth and its natural resources, exclusive of any human-made structures, cultivated agricultural products, or artificial improvement or alteration to the land; and
 2. "Improvements," which means any human-made addition to or modification of land that enhances its value, including but not limited to:
 - a. Any building, structure, fence, or pavement constructed upon the land;
 - b. Any cultivated agricultural products grown upon the land; and
 - c. Any artificial land backfill, grading, or site preparation aimed at modifying the natural topography.
 - (c) The council may levy a separate ad valorem tax rate on land and a separate ad valorem tax rate on improvements within the portion of the county formerly comprising the city of the first class. The rate levied on improvements may be lower than the rate levied on land. The rate levied on improvements shall be sufficient to constitute a bona fide tax levy.
 - (d) Notwithstanding KRS 132.010, for any tax year in which separate rates are levied under this subsection, the compensating tax rate shall be calculated as the specific combination of rates on land and improvements so that when applied to the current year's assessment, it produces an aggregate revenue equal to the revenue produced in the preceding year.
 - (e) Notwithstanding KRS 132.010 and 132.017, the portion of a tax rate that is

subject to recall in relation to producing revenue exceeding four percent (4%) over that produced by the compensating tax rate shall be determined based on the aggregate revenue produced by the combination of the rate levied on land and the rate levied on improvements.

- (f) Notwithstanding KRS 132.810, the homestead exemption shall be applied first against the assessed value of improvements, and any remaining balance of the exemption shall then be applied against the assessed value of land.
- (3) Any change in these ad valorem tax rates shall comply with KRS 68.245, 132.010, 132.017, and 132.027 and shall be used for services as provided by KRS 82.085.
- (4) If the consolidated local government council determines to provide for tax rates applicable to health insurance premiums and personal property which are different in the area formerly comprising the city of the first class than the rates applicable in the remainder of the county, it shall do so in the following manner. The consolidated local government council shall by ordinance create a tax district to be known as the "urban service tax district" bounded by the former boundaries of the former city of the first class. The ordinance shall designate the number of members of the board of this tax district and the manner in which they shall be appointed. The ordinance shall provide that the board of the tax district shall receive the income derived from the differential tax rate applicable in the area formerly comprising the city of the first class with respect to personal property, health insurance premiums, or both, and shall contract with the consolidated local government to pay all sums collected to the consolidated local government, in return for the provision of services performed by the consolidated local government within the area formerly comprising the city of the first class which services are in addition to services performed by the consolidated local government in the remainder of the county. The consolidated local government shall provide at least an annual reporting to the urban service tax district board and the legislative body of the consolidated local government containing but not limited to detailed operating and capital expenditures of each service performed by the consolidated local government.
- (5) After the initial formation of an urban service tax district in a consolidated local government, the boundaries of the district may be modified in the following manner. The proposal to alter the boundaries of the urban service tax district within a consolidated local government may be initiated by:
 - (a) A resolution enacted by the consolidated local government describing the boundaries of the area to be added to or deleted from the tax district and duly passed and signed by the mayor not less than one hundred twenty (120) days before the next regularly scheduled election day within the county; or
 - (b) A petition signed by a number of qualified voters living within precincts within the area to be added to or deleted from the tax district equal to ten percent (10%) of the votes cast within each precinct in the last general election for President of the United States and delivered to the clerk of the legislative council more than one hundred twenty (120) days next preceding the next regularly scheduled election day within the county.

The boundaries so described in either case shall not cross precinct lines. The

question of whether the area bounded as described should be added to or deleted from, as the case may be, the urban service tax district shall then be placed upon the ballot in the precincts in the area to be added or deleted at the next regular election and the question stated on the ballot shall be so phrased that a "Yes" vote shall be cast in favor of making the proposed change and a "No" vote shall be cast to oppose the proposed change. If a majority of those voting in those precincts support the change, then the change in the boundaries of the urban service tax district shall be implemented.

- (6)
 - (a) Beginning with emergency medical responses made on or after July 1, 2025, the consolidated local government shall reimburse a fire district operating under KRS Chapter 75 for expenses related to each emergency medical response made by the fire district operating under KRS Chapter 75 into the area of the urban service tax district. A fire district so responding shall receive from the consolidated local government three hundred dollars (\$300) for transporting a person and one hundred fifty dollars (\$150) for arriving at person's location when no person is transported.
 - (b) The payment established in paragraph (a) of this subsection shall be in addition to any insurance moneys the fire district may be eligible to receive resulting from the response.
 - (c) The payment established in paragraph (a) of this subsection shall be adjusted on July 1 of each year by the percentage increase in the nonseasonally adjusted annual average Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, All Items, between the two (2) most recent calendar years available, as published by the United States Bureau of Labor Statistics.
 - (d) The consolidated local government shall not charge a fire district operating under KRS Chapter 75 for any expenses or services that the consolidated local government was not charging the fire district prior to January 1, 2024.
 - (e) A fire district operating under KRS Chapter 75 that receives payment or reimbursement in any form from the consolidated local government for an emergency medical response made by the fire district into the area of the urban service tax district prior to July 1, 2025, shall not be eligible for payments or reimbursement under this subsection beginning on July 1 of the following fiscal year and continuing until the end of that fiscal year.
- (7) Except for services provided within the central business district as defined by the consolidated local government via ordinance as of April 1, 2024:
 - (a) From July 1, 2025, to June 30, 2028, the differential tax received by the urban service tax district shall fund no less than eighty-five percent (85%) of all costs related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county;
 - (b) From July 1, 2028, to June 30, 2031, the differential tax received by the urban service tax district shall fund no less than ninety percent (90%) of all costs

related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county;

- (c) From July 1, 2031, to June 30, 2034, the differential tax received by the urban service tax district shall fund no less than ninety-five percent (95%) of all costs related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county; and
- (d) After June 30, 2034, the differential tax received by the urban service tax district shall fund no less than one hundred percent (100%) of all costs related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county.

Effective: July 15, 2026

History: Amended 2026 Ky. Acts ch. 165, sec. 7, effective July 15, 2026; and ch. 198, sec. 44, effective April 27, 2026. -- Amended 2025 Ky. Acts ch. 56, sec. 8, effective June 27, 2025. -- Amended 2024 Ky. Acts ch. 181, sec. 1, effective July 15, 2024. -- Amended 2022 Ky. Acts ch. 201, sec. 7, effective July 14, 2022. -- Created 2002 Ky. Acts ch. 346, sec. 5, effective July 15, 2002.

Legislative Research Commission Note (4/27/2026). 2026 Ky. Acts ch. 198, sec. 72, provides that the amendments to KRS 67C.147(5) in 2026 Ky. Acts ch. 198, sec. 44, apply retroactively to require a consolidated local government to only reimburse a fire district for emergency medical responses made on or after July 1, 2025. These amendments to KRS 67C.147(5) also apply retroactively to any matters or litigation that have not been fully and finally adjudicated, or are in the appellate process, or for which time to file an appeal has not lapsed, as of April 27, 2026.

Legislative Research Commission Note (7/15/2026). This statute was amended by 2026 Ky. Acts chs. 165 and 198, which do not appear to be in conflict and have been codified together.