

CHAPTER 167**(HB 28)**

AN ACT relating to occupational license fees and taxes.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

Section 1. KRS 68.180 is amended to read as follows:

- (1) The fiscal court of each county having a population of three hundred thousand (300,000) or more may by order or resolution impose license fees on franchises, provide for licensing any business, trade, occupation, or profession, and the using, holding, or exhibiting of any animal, article, or other thing.
- (2) License fees on such business, trade, occupation, or profession for revenue purposes, except those of the common schools, shall be imposed at a percentage rate not to exceed one and one-fourth percent (1.25%) of:
 - (a) Salaries, wages, commissions, and other compensation earned by persons within the county for work done and services performed or rendered in the county; and
 - (b) The net profits of businesses, trades, professions, or occupations from activities conducted in the county.
- (3) The provisions of subsection (2) of this section shall not apply to license fees imposed for regulatory purposes as to form and amount. No public service company that pays an ad valorem tax shall be required to pay a license tax, and no license tax shall be imposed upon or collected from any bank, trust company, combined bank and trust company, combined trust, banking and title business in this state, any savings and loan association, whether state or federally chartered, or upon income received by members of the Kentucky National Guard for active duty training, unit training assemblies, and annual field training, or upon income received by precinct workers for election training or work at election booths in state, county, and local primary, regular, or special elections, or upon any profits, earnings, or distributions of an investment fund which would qualify under KRS 154.20-250 to 154.20-284 to the extent any profits, earnings, or distributions would not be taxable to an individual investor, or in other cases where the county is prohibited by law from imposing a license tax.
- (4) The provisions and limitations of subsection (2) of this section shall not apply to the license fees authorized by KRS 160.482 to 160.488.
- (5) ***Pursuant to this section, no fiscal court shall regulate any aspect of the manner in which any duly ordained, commissioned, or denominationally licensed minister of religion may perform his or her duties and activities as a minister of religion. Duly ordained, commissioned, or denominationally licensed ministers of religion shall be subject to the same license fees imposed on others in the county on salaries, wages, commissions, and other compensation earned for work done and services performed or rendered.***

Section 2. KRS 68.197 is amended to read as follows:

- (1) The fiscal court of each county having a population of thirty thousand (30,000) or more may by ordinance impose license fees on franchises, provide for licensing any business, trade, occupation, or profession, and the using, holding, or exhibiting of any animal, article, or other thing.

- (2) License fees on such business, trade, occupation, or profession for revenue purposes, except those of the common schools, may be imposed at a percentage rate not to exceed one percent (1%) of:
 - (a) Salaries, wages, commissions, and other compensation earned by persons within the county for work done and services performed or rendered in the county;
 - (b) The net profits of self-employed individuals, partnerships, professional associations, or joint ventures resulting from trades, professions, occupations, businesses, or activities conducted in the county; and
 - (c) The net profits of corporations resulting from trades, professions, occupations, businesses, or activities conducted in the county.
- (3) In order to reduce administrative costs and minimize paperwork for employers, employees, and businesses, the fiscal court may provide:
 - (a) For an annual fixed amount license fee which a person may elect to pay in lieu of reporting and paying the percentage rate as provided in this subsection on salaries, wages, commissions, and other compensation earned within the county for work done and services performed or rendered in the county; and
 - (b) For an annual fixed amount license fee which an individual, partnership, professional association, joint venture, or corporation may elect to pay in lieu of reporting and paying the percentage rate as provided in this subsection on net profits of businesses, trades, professions, or occupations from activities conducted in the county.
- (4) Licenses imposed for regulatory purposes are not subject to such limitations as to form and amount. No public service company that pays an ad valorem tax is required to pay a license tax, and no license tax shall be imposed upon or collected from any insurance company except as provided in KRS 91A.080, bank, trust company, combined bank and trust company, combined trust, banking, and title business in this state, or any savings and loan association whether state or federally chartered, or in other cases where the county is prohibited by law from imposing a license fee.
- (5) No license fee shall be imposed or collected on income received by members of the Kentucky National Guard for active duty training, unit training assemblies, and annual field training, or on income received by precinct workers for election training or work at election booths in state, county, and local primary, regular, or special elections, or upon any profits, earnings, or distributions of an investment fund which would qualify under KRS 154.20-250 to 154.20-284 to the extent any profits, earnings, or distributions would not be taxable to an individual investor.
- (6) Persons who pay a county license fee pursuant to this section and who also pay a license fee to a city contained in the county may, upon agreement between the county and the city, credit their city license fee against their county license fee.
- (7) The provisions of subsection (6) of this section notwithstanding, effective with license fees imposed under the provisions of subsection (1) of this section on or after July 15, 1986, persons who pay a county license fee and a license fee to a city contained in the county shall be allowed to credit their city license fee against their county license fee.
- (8) On July 14, 2000, the provisions of subsection (7) of this section notwithstanding, city license fees not credited against county license fees enacted under this section or KRS

67.083 as of January 1, 2000, shall not be credited against county license fees. However, this exception shall not apply to county license fees enacted for the first time, or increased, on or after January 1, 2000. This provision shall expire July 15, 2002, unless otherwise extended by the General Assembly.

- (9) A county that enacted an occupational license fee under the authority of KRS 67.083 shall not be required to reduce its occupational tax rate when it is determined that the population of the county exceeds thirty thousand (30,000).
- (10) ***Pursuant to this section, no fiscal court shall regulate any aspect of the manner in which any duly ordained, commissioned, or denominationally licensed minister of religion may perform his or her duties and activities as a minister of religion. Duly ordained, commissioned, or denominationally licensed ministers of religion shall be subject to the same license fees imposed on others in the county on salaries, wages, commissions, and other compensation earned for work done and services performed or rendered.***

Section 3. KRS 91.200 is amended to read as follows:

- (1) The board of aldermen of every city of the first class, in addition to levying ad valorem taxes, may by ordinance impose license fees on franchises, provide for licensing any business, trade, occupation, or profession and the using, holding, or exhibiting of any animal, article, or other thing.
- (2) License fees on a business, trade, occupation, or profession for revenue purposes may be imposed at a percentage rate not to exceed those hereinafter set forth on:
 - (a) Salaries, wages, commissions and other compensations earned by every person within the city for work done and services performed or rendered in the city (all of such being hereinafter collectively referred to as "wages"); and
 - (b) The net profits of all businesses, professions, or occupations from activities conducted in the city (hereinafter collectively referred to as "net profits").
- (3) Licenses imposed for regulatory purposes shall not be subject to such limitations as to form and amount. No company that pays an ad valorem tax and a franchise tax is required to pay a license tax and no license tax shall be imposed upon or collected from any bank, trust company, combined bank and trust company or combined trust, banking and title business in this state, any savings and loan association whether state or federally chartered, or upon income received by members of the Kentucky national guard for active duty training, unit training assemblies, and annual field training, or on income received by precinct workers for election training or work at election booths in state, county, and local primary, regular, or special elections, or upon any profits, earnings, or distributions of an investment fund which would qualify under KRS 154.20-250 to 154.20-284 to the extent any profits, earnings, or distributions would not be taxable to an individual investor, or in any other case where the city is prohibited by statute from imposing a license tax.
- (4) The rate fixed on both "wages" and "net profits" shall be one and one-fourth percent (1.25%).
- (5) License fees or taxes shall be collected by the commissioners of the sinking fund. The proceeds from the taxes shall be paid to the secretary and treasurer of the sinking fund until income from all sources of the sinking fund is sufficient to pay the cost of administration and the interest charges for the current fiscal year of the sinking fund in addition to a sum

sufficient to amortize the outstanding principal indebtedness of the city on a yearly basis in accordance with regularly used amortization tables.

- (6) Revenue remaining after meeting the foregoing requirements shall be transferred to the city. Such revenues shall be credited to the general fund of the city as received and may be expended for general purposes or for capital improvements.
- (7) The term "capital improvements" as used in this section is limited to additions or improvements of a substantial and permanent nature and services rendered in connection therewith, and includes but is not limited to:
 - (a) The purchase of rights of way for highways, expressways, and the widening of existing streets;
 - (b) The purchase of lands for park, recreational, and other governmental facilities and for public off-street parking facilities;
 - (c) The purchase, construction, reconstruction, renovation, or remodeling of municipal buildings, and facilities;
 - (d) The replacement of machinery, wires, pipes, structural members or fixtures, and other essential portions of municipal buildings;
 - (e) The initial equipment of any newly acquired facility wherein any essential governmental function of the municipality may be located or carried on;
 - (f) The purchase and installation of traffic control devices and fire alarm equipment;
 - (g) The reconstruction and resurfacing, but not routine maintenance, of streets and other public ways;
 - (h) The acquisition of motorized equipment purchased as additions to, but not replacements for, existing equipment; and
 - (i) Engineering and other costs incurred by the city in connection with the construction of public improvements financed under a special assessment plan.
- (8) Ad valorem taxes for the benefit of the sinking fund shall not be levied unless the income of the sinking fund is otherwise insufficient to meet such requirements.
- (9) Licenses shall be issued and enforced on terms and conditions as prescribed by ordinance.
- (10) ***Pursuant to this section, no city of the first class shall regulate any aspect of the manner in which any duly ordained, commissioned, or denominationally licensed minister of religion may perform his or her duties and activities as a minister of religion. Duly ordained, commissioned, or denominationally licensed ministers of religion shall be subject to the same license fees imposed on others in the city on salaries, wages, commissions, and other compensation earned for work done and services performed or rendered.***

Section 4. KRS 92.300 is amended to read as follows:

- (1) The legislative body of any city of the second to sixth class may by ordinance exempt manufacturing establishments from city taxation for a period not exceeding five (5) years as an inducement to their location in the city. In cities of the third class, two-thirds (2/3) of the members of the city legislative body must concur for this purpose.

- (2) No city of the second to sixth class or urban-county government may impose or collect any license tax upon any bank, trust company, combined bank and trust company, or trust, banking and title insurance company organized and doing business in this state, any savings and loan association whether state or federally chartered, or upon income received by members of the Kentucky national guard for active duty training, unit training assemblies and annual field training, or upon income received by precinct workers for election training or work at election booths in state, county, and local primary, regular, or special elections.
- (3) Unpaid volunteer members of fire companies in cities of the fourth class shall be exempt from city poll taxes so long as they remain active members.
- (4) ***Pursuant to KRS 92.281, no city shall regulate any aspect of the manner in which any duly ordained, commissioned, or denominationally licensed minister of religion may perform his or her duties and activities as a minister of religion. Duly ordained, commissioned, or denominationally licensed ministers of religion shall be subject to the same license fees imposed on others in the city enacted pursuant to KRS 92.281.***

Section 5. KRS 160.483 is amended to read as follows:

- (1) The license fees imposed under KRS 160.482 to 160.488 on businesses, trades, occupations, and professions shall be at a single, uniform percentage rate not to exceed one-half of one percent (0.5%) of:
 - (a) Salaries, wages, and commissions, and other compensations earned by persons within the county for work done and services performed or rendered in the county;~~;~~ and
 - (b) The net profits of all businesses, trades, occupations, and professions, for activities conducted in the county.
- (2) The license fees, once imposed, shall continue from year to year until changed as prescribed in KRS 160.484.
- (3) No public service company which pays an ad valorem tax is required to pay a license fee ~~hereunder~~.
- (4) No license fee shall be imposed upon or collected from:
 - (a) Any bank, trust company, combined bank and trust company, combined trust, banking and title business in this state;~~;~~
 - (b) Any savings and loan association whether state or federally chartered;
 - (c) ~~Any~~ ~~or upon~~ income received by members of the Kentucky National Guard for active duty training, unit training assemblies, and annual field training;~~;~~ or
 - (d) ~~Any~~ ~~upon~~ income received by precinct workers for election training or work at election booths in state, county, and local primary, regular, or special elections.
- (5) No license tax shall be collected from any individual who is not a resident of the county of the tax-levying authority imposing the tax.
- (6) ***Pursuant to this section, no tax-levying authority shall regulate any aspect of the manner in which any duly ordained, commissioned, or denominationally licensed minister of religion may perform his or her duties and activities as a minister of religion. Duly ordained, commissioned, or denominationally licensed ministers of religion shall be subject to the same license fees imposed on others by the tax-levying authority on***

salaries, wages, commissions, and other compensation earned for work done and services performed or rendered.

Section 6. This Act takes effect July 1, 2005.

Approved March 18, 2005.