

CHAPTER 9**(HB 244)**

AN ACT relating to taxation of hospital services.

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

Section 1. KRS 142.303 is amended to read as follows:

- (1) A tax is hereby imposed at a rate of two and one-half percent (2.5%) on gross revenues received by all providers on or after July 15, 1994, for the provision of hospital services. The tax imposed by this section shall not apply to gross revenues received for dispensing outpatient prescription drugs subject to tax under KRS 142.311.
- (2)
 - (a) *Notwithstanding any other provision of the Kentucky Revised Statutes to the contrary, beginning in state fiscal year 2008-2009 and continuing annually thereafter, the tax imposed under subsection (1) of this section on providers of hospital services who paid taxes in state fiscal year 2005-2006 shall be assessed on gross revenues received by the provider during state fiscal year 2005-2006. Notwithstanding the provisions of KRS 142.301 to KRS 142.363, hospital provider taxes due in state fiscal year 2008 and continuing annually thereafter shall be paid in twelve (12) equal monthly installments, with each payment due no later than twenty (20) days after the last day of each calendar month. At least thirty (30) days prior to the beginning of the state fiscal year, the Department of Revenue shall send written notice to each provider of hospital services of the provider's total tax liability for the year, which shall be the amount the provider paid in taxes in state fiscal year 2005-2006. The provisions of this paragraph also shall apply if the hospital subsequently undergoes a change in ownership.*
 - (b) *If a hospital was not in operation during state fiscal year 2005-2006, the hospital shall be taxed pursuant to the provisions of subsection (1) of this section, provided that, upon request of the provider, the Department of Revenue may adjust the hospital's annual tax liability in accordance with the gross revenues of a comparable hospital.*

SECTION 2. A NEW SECTION OF KRS CHAPTER 205 IS CREATED TO READ AS FOLLOWS:

Notwithstanding KRS 205.640 or any other provision of the Kentucky Revised Statutes to the contrary, the amount of twenty six million six hundred seventy-three thousand seven hundred sixty-four dollars (\$26,673,764) from hospital provider tax collections under Section 1 of this Act during state fiscal year 2008-2009 and continuing annually thereafter, shall be matched with federal funds and used solely to continue the enhancements implemented in state fiscal years 2006 and 2007 to inpatient payments to hospitals in the Commonwealth, including those hospitals paid under managed care arrangements. Any payments due pursuant to this section shall be made by July 30 of each state fiscal year.

Approved March 16, 2007.