

CHAPTER 145**(SB 274)**

AN ACT relating to local government.

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

➔SECTION 1. A NEW SECTION OF KRS CHAPTER 81A IS CREATED TO READ AS FOLLOWS:

(1) *If a city is wholly contained within two (2) counties and that city intends to annex territory in an additional county, then it may proceed if:***(a) *The territory proposed to be annexed:***

- 1. *Is adjacent or contiguous to the city's boundaries at the time the annexation proceeding is begun;***
- 2. *Which by reason of population density, commercial, industrial, institutional, or governmental use of land, or subdivision of land, is urban in character or suitable for development for urban purposes without unreasonable delay;***
- 3. *Is not within the boundary of another incorporated city; and***
- 4. *Contains infrastructure owned by the city or any agency, political subdivision, department, or instrumentality of the city, including governing bodies of municipal utilities operating under KRS Chapter 96; however, the territory to be annexed shall not include any territory that does not contain infrastructure as set out in this subparagraph; and***

(b) *Each of the owners of record of the territory proposed to be annexed gives prior consent in writing to the annexation and the annexation is proceeding under the provisions of KRS 81A.412.***(2) (a) *At least thirty (30) days prior to the adoption of the annexation ordinance under KRS 81A.412, the city shall provide notice of the proposed annexation to the fiscal court of the county containing the territory to be annexed. The failure of the city to notify the fiscal court of the annexation as set out in this subsection shall serve to void the ordinance annexing the territory contained in that county.*****(b) *The notice set out in paragraph (a) of this subsection shall:*****1. *Contain, at a minimum:***

- a. *A description of the territory to be annexed;***
- b. *The date in which the annexation shall take effect, that date being the passage of the ordinance annexing the territory; and***
- c. *A certification by the mayor of the city proposing the annexation that the city shall comply with the applicable requirements of this chapter; and***

2. *Be delivered to the fiscal court of the county containing the territory to be annexed by certified mail.*

➔Section 2. KRS 81A.410 is amended to read as follows:

(1) Except as provided in KRS 67C.111(3), a city legislative body may extend the city's boundaries to include any area:

- (a) Which is adjacent or contiguous to the city's boundaries at the time the annexation proceeding is begun; and**
- (b) Which by reason of population density, commercial, industrial, institutional, or governmental use of land, or subdivision of land, is urban in character or suitable for development for urban purposes without unreasonable delay.**

(2) No part of the area to be annexed shall be included within the boundary of another incorporated city.**(3) If a city is considering the annexation of two (2) or more areas which are all adjacent to the city boundary but are not adjacent to one another, it may undertake simultaneous proceedings under the authority of KRS 81A.420 for the annexation of such areas.**

(4) *If a city is wholly contained within two (2) counties and that city intends to annex territory in an additional county, then the provisions of Section 1 of this Act shall apply.*

➔Section 3. 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 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)
 - (a) Licenses imposed for regulatory purposes are not subject to limitations as to form and amount.
 - (b) No public service company that pays an ad valorem tax is required to pay a license tax.
 - (c)
 1. It is the intent of the General Assembly to continue the exemption from local license fees and occupational taxes that existed on January 1, 2006, for providers of multichannel video programming services or communications services as defined in KRS 136.602 that were taxed under KRS 136.120 prior to the effective date of this section.
 2. To further this intent, no company providing multichannel video programming services or communications services as defined in KRS 136.602 shall be required to pay a license tax. If only a portion of an entity's business is providing multichannel video programming services including products or services that are related to and provided in support of the multichannel video programming services or communications services, this exclusion applies only to that portion of the business that provides multichannel video programming services or communications services, including products or services that are related to and provided in support of the multichannel video programming services or communications services.
 - (d) 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. As used in this subsection, "city contained in the county" shall include a city that is in more than one (1) county.

- (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. As used in this subsection, "city contained in the county" shall include a city that is in more than one (1) county.
- (8) ***If a city annexes territory pursuant to Section 1 of this Act on or after the effective date of this Act, and both the city and the county in which the territory annexed is contained levy a license fee at the time of annexation, then the county shall at least receive the same dollar amount of revenue that was generated in the preceding tax year by the county license fee. After the tax year in which the annexation occurs, if the revenues generated by both the city and county license fees for that territory decrease below the amount of revenue generated in that preceding tax year by the county license fee, then the revenue received by the county shall be reduced proportionately. Any increase in the license fee rate by the city or the county after the date of the annexation shall be subject to the crediting provisions contained in subsections (6) and (7) of this section.*** ~~[Notwithstanding any statute to the contrary, the provisions of subsection (7) of this section shall apply as follows from March 14, 2012, through July 15, 2014:~~
 - ~~(a) Any set off or credit of city license fees against county license fees that exists between a city and county as of March 15, 2012, shall remain in effect as it is on March 15, 2012; and~~
 - ~~(b) The provisions of subsection (7) of this section shall not apply to a city and county unless both the city and the county have both levied and are collecting license fees on March 15, 2012.]~~
- (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) Notwithstanding any statute to the contrary:
 - (a) In those counties where a license fee has been authorized by a public question approved by the voters, there shall be no credit of a city license fee against a county license fee except by agreement between the county and the city in accordance with subsection (6) of this section;
 - (b) Notwithstanding any provision of the KRS to the contrary, no taxpayer shall be refunded or credited for any overpayment of a license tax paid to any county to the extent the overpayment is attributable to or derives from this section as it existed at any time subsequent to July 15, 1986, and the taxpayer seeks a credit for a license tax paid to a city located within such county, if such refund claim or amended tax return claim was filed or perfected after November 18, 2004, except by agreement between the city and county in accordance with subsection (6) of this section;
 - (c) In those counties where a license fee has been authorized by a public question approved by the voters, the percentage rate of the license fee in effect on January 1, 2005, and any maximum salary limit upon which the license fee is calculated shall remained unchanged for subsequent fiscal years. A percentage rate higher than the percentage rate in effect on January 1, 2005, or any change in the maximum salary limit upon which a license fee is calculated shall be prohibited unless approved by the voters at a public referendum. The percentage rate of a license fee in such counties shall at no time exceed one percent (1%). Any question to be placed before the voters as a result of this paragraph shall be placed on the ballot at a regular election or nominating primary.
 - (d) This subsection shall have retroactive application; and
 - (e) If any provision of this subsection or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or application of this section that can be given effect without the invalid provision or application, and to this end the provisions of this subsection are severable.
- (11) 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.

Became law without Governor's signature March 29, 2021.