

INTERIM JOINT COMMITTEE ON TOURISM, SMALL BUSINESS, AND INFORMATION TECHNOLOGY

Minutes of the 5th Meeting of the 2021 Interim

October 21, 2021

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Tourism, Small Business, and Information Technology was held on Thursday, October 21, 2021, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Phillip Wheeler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Wil Schroder, Co-Chair; Representatives Kim King, Co-Chair, and Phillip Pratt, Co-Chair; Senators Robby Mills, Adrienne Southworth, Reginald Thomas, Phillip Wheeler, Mike Wilson, and David Yates; Representatives Shane Baker, Lynn Bechler, Tina Bojanowski, Josh Branscum, George Brown Jr., Josh Calloway, Jeffery Donohue, Ryan Dotson, Daniel Fister, Deanna Frazier, Chris Freeland, Chris Fugate, Jim Gooch Jr., David Hale, Richard Heath, Norma Kirk-McCormick, William Lawrence, Charles Miller, Ruth Ann Palumbo, Brandon Reed, Rachel Roberts, Steve Sheldon, Cherlynn Stevenson, Ashley Tackett Laferty, Nancy Tate, Killian Timoney, Bill Wesley, and Richard White.

Guests: Julie Kirkpatrick, President and CEO, Northern Kentucky Convention and Visitors Bureau; Erin Carrico, President, Kentucky Association of Convention and Visitors Bureaus; Janette Marson, Executive Director, Lake Cumberland Tourism Commission; Brandon Pennington, Executive Director, City of Harlan, Tourist and Convention Commission; Stacy Roof, President and CEO, Kentucky Restaurant Association; and Shannon Stiglitz, Vice President of Government Affairs, Kentucky Retail Federation.

LRC Staff: Andrew Manno, Audrey Ernstberger, Kirk Smith, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the September 23, 2021, meeting was made by Representative Fister, seconded by Representative Timoney, and approved by voice vote.

Discussion of Airbnb and VRBO

The shared economy industry involves individuals sharing their house, a portion of their house, apartment, or car to gain financial benefit. Airbnb and VRBO have proved to be major economic drivers in the state and have generated \$157 million worth of

transactions in the first nine months of 2021. However, there are some inequalities with these platforms and the obligation to pay the transient occupancy tax to the Commonwealth. Airbnb and VRBO have agreements to pay this tax with some destinations across the state such as Northern Kentucky, Lexington, Louisville, and Bowling Green but not with the rest of the state. The Kentucky Department of Tourism receives one percent of the tax through these agreements and these funds are used for marketing. However, this leaves a large portion of taxes not being paid by these platforms from the remainder of the state. Tennessee passed legislation in 2020 that centralized the payment of transient occupancy taxes for these platforms. Julie Kirkpatrick, President and CEO of the Northern Kentucky Convention and Visitors Bureau, explained that legislation similar to the Tennessee model should be considered to ensure tourism organizations across the state receive their fair share of revenue generated by these platforms to contribute to the tourism industry's marketing budgets and the continued recovery from the COVID-19 pandemic.

Responding to Representative King, Ms. Kirkpatrick clarified that \$157 million was generated from Airbnb and VRBO transactions in the state alone for the first nine months of 2021.

Answering Senator Wheeler, Ms. Kirkpatrick confirmed that hotels do pay property taxes.

Replying to Representative Bechler, Ms. Kirkpatrick said Airbnb and VRBO property owners pay income taxes.

Kentucky Association of Convention and Visitors Bureaus Update

Although tourism organizations across the Commonwealth are of different sizes and have different needs, many members of the Kentucky Association of Convention and Visitors Bureaus (KACVB) are continuing to struggle with funding, staffing, and ways to move forward after facing obstacles during the COVID-19 pandemic. Brandon Pennington, the Executive Director of the City of Harlan Tourist and Convention Commission, and Janette Marson, the Executive Director of Lake Cumberland Tourism Commission, detailed how their organizations made it through the pandemic during 2020 and how they have begun to recover throughout 2021. Even though some organizations have seen a rise in the number of visitors to their regions in 2021, most do not have the funds for necessary marketing and infrastructure due to revenue that was lost during 2020. Some KACVB member organizations were forced to use reserve funds to continue operating, but others did not have reserve funds to use. There are many projects and expansions planned for various regions throughout the Commonwealth, and tourism organizations are in need of funding to promote these future ventures that will have a major impact on the tourism industry and the state's economy. Funding is also needed to move forward in regaining the meetings and conventions market.

Senator Thomas recommended the state have an automobile trail similar to the Kentucky Bourbon Trail.

Responding to Representative King, Erin Carrico, President of the Kentucky Association of Convention and Visitors Bureaus, stated the \$75 million that is being requested would be divided amongst the meetings and conventions area, the Kentucky Department of Tourism offices, and destination marketing organizations across the Commonwealth. The funds would be distributed by the Kentucky Department of Tourism since it already has funding distribution procedures in place.

Addressing Senator Southworth, Ms. Carrico said the Bowling Green Convention and Visitors Bureau works closely with the National Corvette Museum which remains closed due to COVID-19, and the KACVB has hopes that the museum will reopen for tours next year.

COVID-19 Recovery Update: Kentucky Restaurant Association and Kentucky Retail Federation

Representatives from the Kentucky Restaurant Association and the Kentucky Retail Federation gave an update in how their affiliated industries are recovering from COVID-19, current industry challenges, and potential solutions. Many restaurants and retailers stepped up during the pandemic and have donated to local food banks and food rescue programs, provided paid leave for employees to receive vaccinations, and offered their place of business for testing and vaccine clinics. The General Assembly's passage of legislation relating to legal liability reform, cocktails-to-go, raw grocery sales, and tax changes regarding small business loans has helped both the restaurant and retail industry's recovery tremendously. However, restaurants and retailers are faced with challenges such as supply delays and shortages, labor and food cost increases, staffing shortages, decreases in profits, and issues related to future COVID-19 variants. The Kentucky Restaurant Association requests consideration that would allow those 18 and older to serve or handle alcohol in some ways in a restaurant setting. Additionally, the organization would benefit from a restaurant recovery fund with American Rescue Plan Funds as has been done in 38 other states. According to the Kentucky Retail Federation, there are several legislative proposals that could harm the recovery of the retail and restaurant industries such as legislation relating to local option sales tax, property tax assessments, restaurant taxes, fees related to retail and restaurant industry businesses, alcohol sales, and soda taxes.

Responding to Representative Branscum, Stacy Roof, the President and CEO of the Kentucky Restaurant Association, said there is no distinction in current statute between being a bartender and serving alcohol. In the state, if an individual is 20 years of age or younger, then they are not allowed to legally be involved in any transaction involving alcohol.

Answering a question from Senator Wheeler, Shannon Stiglitz, Vice President of Government Affairs for the Kentucky Retail Federation, said the Kentucky Retail Federation will research how much outsourcing is effecting supply delays and shortages, and that the National Retail Federation is supportive of federal legislation that would alleviate issues being encounter at U.S. shipping ports. Responding to a follow up question, Ms. Stiglitz stated that some members of the Kentucky Retail Federation support tariffs while others oppose them.

Replying to Representative Roberts, Ms. Roof verified that the Kentucky Restaurant Association supports the H-2B visa program.

Addressing Senator Thomas, Ms. Stiglitz stated that fourth and fifth class cities are authorized under Kentucky Revised Statutes to levy a restaurant tax, but if a statewide restaurant tax was put into place, then it would apply to not only restaurants but other businesses as well. The Kentucky Retail Federation would like for the General Assembly to pose to voters whether or not a constitutional provision should be removed that would allow the General Assembly to give cities the authority to impose sales taxes.

Responding to Representative Calloway, Ms. Roof explained that restaurant capacity limits are not necessarily due to COVID-19 precautions but due to staffing shortages. Addressing a follow up question, Ms. Roof said while a majority of the Kentucky Restaurant Association's members encouraged employees to receive the COVID-19 vaccine, few have put a vaccine mandate in place. Ms. Stiglitz added that, to her knowledge, there is not a member of the Kentucky Retail Federation that has put a vaccine mandate in place.

Answering a question from Representative Dotson, Ms. Stiglitz agreed that due to the COVID-19 pandemic, restaurants were forced to change their business models, and if some changes prove to be more profitable, then the changes may become permanent.

There being no further business before the committee, the meeting adjourned at 2:12 p.m.