Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2015 Regular Session

Part I: Measure Information

Bill Request #: 107	7		
Bill #: HB 1 HCS 1	1		
Bill Subject/Title:	AN ACT proposing to a relating to local levies of	amend Section 181 of the Con of sales and use taxes.	nstitution of Kentucky
Sponsor: Representative Tommy Thompson			
Unit of Government:		X County X Consolidated Local	XUrban-CountyUnified LocalXGovernment
Office(s) Impacted:	County Clerks		
Requirement: <u>X</u> Mandatory Optional			
Effect on Powers & Duties:	X Modifies Existing	X Adds New E	liminates Existing

Part II: Purpose and Mechanics

HB 1 HCS 1 proposes to submit an amendment to Section 181 of the Kentucky Constitution to the voters for ratification, using the following language on the ballot:

"Are you in favor of giving local voters a new right to approve or reject the funding of specific local capital projects that would be paid for by a temporary local sales and use tax of no more than one percent, and that would expire when the capital projects are completed, as authorized by the General Assembly?"

If voters ratify the constitutional amendment, it would permit the General Assembly to allow cities and counties to levy and collect, with voter approval, a limited-purpose sales and use tax to fund specific capital projects; with the General Assembly establishing the necessary procedures and parameters for the levy and collection of the tax.

Procedures and parameters shall include approval of the limited-purpose sales and use tax by a simple majority of those voting at a general election within the city or county proposing the tax; one percent aggregate limit for the tax, which would be levied on the same base as the state sales and use tax; use of the proceeds for only the capital project(s), including debt service and financing costs; and limitation of the levies to a specific number of years, not to extend beyond the time for completion and payment of the capital project(s).

The General Assembly may allow the Commonwealth to collect the tax on behalf of the city or

county and charge a fee of up to one percent of the proceeds to offset the cost of collection.

HB 1 HCS 1 retains the original provisions of the bill as above while making minor technical corrections, including specifying the application of "net proceeds" towards the capital project(s) to reflect any fees deducted by the Commonwealth for collecting the tax on behalf of the city or county.

HB 1 HCS 1 allows for the assessment of penalties, interest, and fees for noncompliance to retailers and purchasers; with the penalties and fees retained by the entity administering the tax and the interest applied toward the capital project(s).

HB 1 HCS 1 stipulates that the tax shall apply towards areas subsequently annexed by the city or county and that net proceeds from the levies, including interest, for periods prior to the expiration of the tax that were not received before the tax expiration date shall be used for maintenance of the capital project(s).

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The costs of HB 1 HCS 1 to local governments due to adding a constitutional amendment to a ballot would be minimal.

Section 256 of the Kentucky Constitution specifies that constitutional amendments are only added to the ballot for the general election in even-numbered years ("next general election for members of the House of Representatives"). Therefore the constitutional amendment would be submitted to the voters in November, 2016.

According to Harp Enterprises, a vendor that provides electronic voting machines to 97 Kentucky counties, there are additional programming costs associated with adding a new category to the ballot on an already scheduled statewide election. For example, the cost to add a new category to the ballot for Lexington-Fayette Urban County Government, with 291 precincts, is estimated to be between \$3,000 and \$4,000, and for Franklin County, with 44 precincts, the cost is estimated to be between \$1,250 and \$2,000.

This review does not include an analysis of the fiscal impact on local government that would occur if the proposed constitutional amendment is adopted and the General Assembly acts in accordance with the constitutional amendment at a future date.

If the constitutional amendment is adopted and the General Assembly acts in accordance with the constitutional amendment at a future date; then, as the bill specifies that the funding of local capital projects shall be approved by voters during a general election, the earliest that voters could approve funding would be November, 2018.

 Data Source(s):
 LRC Staff, Harp Enterprises