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

Part I: Measure Information

Bill Request #: _388	
Bill #: HB 136 GA	
Bill Subject/Title: AN ACT relating to the administration of municipal property taxes	
Sponsor: Representative Arnold R. Simpson	
Unit of Government: x City County Urban-Count Unified Loca	•
Charter County Consolidated Local Government	L
Office(s) Impacted: city tax collector	
Requirement: Mandatory _x Optional	
Effect on Powers & Duties: x Modifies Existing Adds New Eliminates Existing	

Part II: Purpose and Mechanics

The purpose of HB 136 GA is to amend KRS 91A.070 to broaden cities' ability to regulate the collection of city ad valorem taxes and to provide more flexibility to cities in their collection of such taxes.

Under current law, KRS 91A.070 provides that a city may, by ordinance, elect to have all city ad valorem taxes, including delinquent taxes, collected by the county sheriff, or a city may elect to collect its own ad valorem taxes. Approximately 90% of Kentucky cities collect their own ad valorem taxes. For those cities KRS 91A.070 (2) mandates that the taxes are due and payable the same time as state and county taxes unless another statute provides otherwise. The taxes are delinquent if not paid by the date established and a lien in favor of the city is imposed from the date the taxes are due. The city may enforce the lien in circuit court. KRS 91A.070 (3). The statute requires that the city establish procedures for collection of ad valorem taxes by ordinance, and mandates that the ordinance "shall specify the manner of billing, the place for payment, discounts, if any, for early payment, penalties and interest for late payment, and other necessary procedures." KRS 91A.070 (2). Since KRS 91A.070 (2) does not specifically authorize cities to accept payment of taxes in installments nor specifically authorize cities to grant amnesty to taxpayers for accumulated penalties and interest due, the Kentucky League of Cities (KLC) believes KRS 91A.070 (3) arguably makes it mandatory that cities assess and demand payment

of penalties and interest against taxpayers for late payment.

HB 136 GA would amend only those portions of KRS 91A.070 that apply to cities which collect their own taxes, and would allow those cities to:

- 1. specify the date the taxes are due (except for those taxes on motor vehicles and motorboats, which are paid under a different statute),
- 2. specify the manner of payment, including allowing payment in installments,
- 3. specify "Any" penalties and interest for late payment or nonpayment adding "Any" arguably amends existing language to make it optional whether a city will establish penalties and interest for nonpayment of taxes,
- 4. specify other necessary procedures so long as not in conflict with state law, and
- 5. provide an amnesty program for forgiveness of accumulated penalties and interest for late payment or nonpayment of taxes.

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

HB 136 GA would produce additional revenue for cities that collect their own ad valorem taxes if the provisions implemented result in a net increase in taxes paid. Additionally, cities could offset some costs by imposing a fee on installment payments. Cities would reduce their expenses if the costs to collect installment tax payments and administer a tax amnesty program are at least partially offset or are otherwise less than current collection costs, including costs of lawsuits to enforce property liens.

HB 136 GA would apply only to cities that collect their own taxes. Those cities that wanted to implement its provisions would have to amend their ordinances to specify the date the taxes are due and to specify the manner of payment. Whether a city would choose to allow payment of the taxes in installments, assess penalties and interest for late payment or nonpayment, provide a tax amnesty program, or specify other necessary procedures related to ad valorem taxes, is optional and would also require changes in city ordinances. Cities would incur minor administrative expenses to amend their ordinances.

KLC believes that allowing installment payments and/or implementing a tax amnesty program would make it easier for residents to pay taxes so would increase tax revenues. Cities could also defray some costs by imposing a processing fee on installment tax payments. In addition, successful tax collection without having to resort to a lawsuit to enforce a lien in court could result in a financial savings to cities.

Data Source(s): LRC staff; Kentucky League of Cities

Preparer: Mary Stephens Reviewer: MCY Date: 2/23/15