

**Local Mandate Fiscal Impact Estimate
Kentucky Legislative Research Commission
2016 Regular Session**

Part I: Measure Information

Bill Request #: 1607

Bill #: SB 166

Bill Subject/Title: AN ACT relating to resources to support local tourism, recreation, and economic development.

Sponsor: Senator Jared K. Carpenter

Unit of Government: City County Urban-County
 Charter County Consolidated Local Unified Local
 Government

Office(s) Impacted: Any office administering tax receipts.

Requirement: Mandatory Optional

Effect on Powers & Duties: Modifies Existing Adds New Eliminates Existing

Part II: Purpose and Mechanics

Currently KRS 91A.400 only allows cities of the fourth or fifth classes to levy a restaurant tax not to exceed 3% of the retail sales made by the restaurants doing business in the city. All moneys collected from this tax is to be appropriated to the tourist and convention commission established by the city as provided by KRS 91A.350 to 91A.390.

This proposal, if enacted, amends KRS 91A.400 to allow any city or merged government (urban-county government, charter county government, consolidated government, or unified local government) to levy up to a 3% restaurant tax if the city or merged government has either formed a tourist and convention commission pursuant to Chapter 91A or is served by a tourist and convention commission pursuant to an interlocal agreement or other provision of law. If a restaurant tax has been levied by a consolidated local government pursuant to KRS 153.460(2)(b), the combined tax levy of the restaurant tax levied under KRS 153.460(2)(b) and restaurant tax levied under this proposal cannot exceed 3%.

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

If both a city within a county containing a merged government and the merged government impose a restaurant tax under this proposal, the restaurant shall credit the payment of the city restaurant tax against the amount due to the merged government. For example, if the city imposes a 3% restaurant tax and the merged government imposes a 3% tax, the restaurant will pay the city the full 3% restaurant tax and take a credit for the 3% city restaurant tax paid against the merged government restaurant, thus eliminating the restaurant's liability for the merged government restaurant tax.

Under this proposal, the revenues generated by the restaurant tax levied by a city or merged government shall be divided between the taxing jurisdictions and the tourist and convention commission with the tourist and convention commission receiving no less than 25% of the tax revenues generated. The taxing jurisdictions may use the remainder of tax revenues for capital construction, maintenance, and operation of infrastructure that supports tourism, recreation, and economic development within the taxing jurisdiction.

A restaurant that is subject to the tax imposed by a city or merged government under this proposal is exempt from any percentage-based local occupational license fee or license tax imposed by the city or merged government on net profits or gross receipts of the business.

For any allowable jurisdiction imposing a restaurant tax under this proposal, including cities of the fourth and fifth classes currently imposing the tax, an increase in restaurant tax revenues will occur. However, those same jurisdictions will see a decrease in local occupational license fees and taxes if they are currently levied. The net impact is indeterminable.

Tourist and convention commissions established by cities of the fourth and fifth class cities currently receive 100% of the tax revenues generated by the restaurant tax levied by fourth and fifth class cities. These tourist and convention commissions will experience a decrease in tax revenues as under this proposal they will only receive up to 25% of the tax revenues rather than 100% of the tax revenues generated by the restaurant tax. The remainder of the tax revenues will be retained by the fourth or fifth city for capital construction, maintenance, and operation of infrastructure that supports tourism, recreation, and economic development within the city.

Data Source(s): LRC staff

Preparer: Charlotte T. Quarles **Reviewer:** JWN **Date:** 2/10/16