

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2017 REGULAR SESSION**

MEASURE

2017 BR NUMBER **1636**

SENATE BILL NUMBER **221**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to resources to support local tourism, recreation, and economic development.**

SPONSOR **Senator J. Carpenter**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		Indeterminable	Indeterminable
EXPENDITURES			
NET EFFECT		Indeterminable	Indeterminable

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of this proposal is to allow all cities, urban-county governments, charter county governments, consolidated local governments, and unified local governments to impose a 3 percent restaurant tax. Currently only fourth and fifth class cities may impose the tax. A restaurant that pays the restaurant tax shall not pay a percentage-based occupational license fee or license tax imposed on the net profits or gross receipts of the business by the same taxing jurisdiction.

PROVISIONS/MECHANICS: Amends KRS 91A.400 to define "base restaurant tax receipts" and "merged government", allows all cities and merged governments to levy a 3 percent restaurant tax, establishes a distribution amount and protocol for cities and merged governments imposing a restaurant tax on or after the effective date of this Act and their respective tourist and convention center commissions, and establishes a distribution amount and protocol for cities that imposed a tax prior to the effective date of the Act and their respective tourist and convention center commissions; exempts restaurants that pay the restaurant tax from a percentage-based occupational license fee or license tax imposed on the net profits or gross receipts of the business by the same taxing jurisdiction. The provisions of this Act take effect on July 1, 2017.

FISCAL EXPLANATION: KRS 139.200 requires that the gross receipts from retail sales are subject to the 6 percent sales tax. Since the local restaurant tax is imposed directly upon the restaurant, the amount of the restaurant tax is required to be included in the gross receipts subject to the 6 percent sales tax whether it is included in the price of the food or added to the customer's bill. Therefore if restaurant tax revenues increase, the state sales tax will increase as well. If this bill is enacted, there will be a positive, but indeterminable, impact to the general fund beginning in FY 2017-2018.

Local Impact:

According to the Kentucky League of Cities 2014 data, the local restaurant tax generated \$13,800,000 in local tax revenue. The League of Cities estimated that if all cities imposed the 3 percent restaurant tax, the total restaurant tax receipts would be approximately \$174,000,000. Under the bill the tourist and convention center commissions would receive a minimum of 25 percent of those revenues and 75 percent would be used for community development funds to create more options for funding tourism development. It is not clear from the data if the estimate includes the reduction in local occupational tax that would occur as a result of this proposal. If enacted, this proposal will generate additional revenue for cities and merged governments. However, the impact is indeterminable.

DATA SOURCE(S): Kentucky League of Cities, 2017 Legislative Agenda, Community Development Funds

PREPARER: Charlotte T. Quarles **NOTE NUMBER:** 111 **REVIEW:** _____ **DATE:** 2/27/2017