Local Government Mandate Statement Kentucky Legislative Research Commission 2018 Regular Session

Part I: Measure Information

Bill Request #: BR 475
Bill #: HB 159
Document ID #: 1635
Bill Subject/Title: AN ACT relating alcoholic beverages, and making an appropriation therefor.
Sponsor: Representative Phil J. Moffett
Unit of Government: x City x County x Urban-County x Charter County x Consolidated Local x Government
Office(s) Impacted: police, local alcoholic beverage control administrator
Requirement: x Mandatory Optional
Effect on Powers & Duties: Modifies Existing Adds Newx Eliminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

Relevant to fiscal impact on local governments, HB 159 Section 2 would create a new section of KRS Chapter 242 that would prohibit any city, charter county government, urban-county government, consolidated local government, or unified local government from imposing a regulatory license fee on gross receipts from the sale of alcoholic beverages within its jurisdiction. Under current law, third and fourth class cities in which alcohol sales are permitted are authorized to impose a regulatory license fee on the gross receipts of each establishment selling alcoholic beverages within their city. A second class city that meets complex criteria may also levy a gross receipts tax on the sale of alcoholic beverages. A county containing a qualifying city may also impose a fee on gross receipts from the sale of alcohol within its jurisdiction. Around one-third of all third and fourth class cities – or close to half of all third and fourth class cities that allow the sale of alcoholic beverages (are not "dry") – have a gross receipts tax on the sale of alcoholic beverages, with a median rate of five percent. Section 3 of HB 159 would amend KRS 242.1292 to

withdraw authority from the governing body of a city to impose a regulatory license fee on the gross receipts of establishments licensed to sell alcoholic beverages within the city.

HB 159 would have a significant negative fiscal impact on the approximately 10 percent of Kentucky cities that currently impose the regulatory license fee. Those cities would lose collectively around \$9 million a year, or approximately \$220,000 each city. For example, Cave City, population approximately 2,240 (2010 census), collected \$147,087 in regulatory license fees on gross receipts from sales of alcohol in the city in the first 3 quarters of 2017 (Glasgow Daily Times, November 21, 2017). That revenue would go to zero under HB 159. Regulatory license fees are restricted fund fees and may only be used to reimburse the city/county for **additional** policing, regulatory, or administrative expenses related to the sale of alcoholic beverages in the city and county as a result of becoming wet. Without the authority to impose the fee local governments would be unable to recoup those additional expenses.

Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II pertains to the bill as introduced and there is no prior introduced version of the bill.

Data Source(s): Kentucky League of Cities; Kentucky Department of Alcoholic Beverage Control

Preparer: Mary Stephens **Reviewer:** KHC **Date:** 1/10/18