



For cities or merged government imposing a restaurant tax **on or after the effective date of this Act**, the generated revenue shall be divided between the taxing jurisdiction and the tourist and convention commission. The Tourist and convention commission shall receive no less than 25% of the revenues, and the taxing jurisdiction shall receive the remainder to use towards capital construction, maintenance, or operation of infrastructure that supports tourism, recreation, and economic development. No less than a third of the money going to the taxing jurisdiction shall be used to fund recreation.

For cities imposing a restaurant tax **prior to the effective date of this Act**, the tourist and convention commission shall receive an amount equal to the base revenue amount collected plus 25% of revenues collected above that base amount. The city shall receive the remainder to use towards capital construction, maintenance, or operation of infrastructure that supports tourism, recreation, and economic development. No less than a third of the money going to the city shall be used to fund recreation.

The revenue received by a tourist and convention commission and equal to the base restaurant receipts are subject to the following:

- Shall be requested and budgeted in the same manner as the transient room tax;
- Shall be separately maintained, accounted for, and considered tax revenue;
- Shall be used to transferred to the next fiscal year's budget when not spent in the current year;
- May be used by the city to finance the cost of acquisition, construction, operation, and maintenance of tourist and convention facilities, but only with the advice and consent of the tourist and convention commission;
- May be used by the tourist and convention commission as security for money borrowed to pay its obligations when there is not enough current funds to pay the loan, only with the approval of the city. Additionally, the commission shall not borrow an amount greater than an amount anticipated from current year revenues.
- Shall not be used as a subsidy to any hotel, motel, or restaurant.

KRS 91A.400(4) shall not make void, supplant, or otherwise affect any current or future agreement between a city and a tourist and convention commission regarding the distribution of restaurant revenues. KRS 91A.400(4) shall expire and become ineffective July 1, 2024. Cities that imposed a restaurant tax prior to the effective date of this Act shall comply with KRS 91A.400 (3) on and after July 1, 2024.

If both city within a county containing a merged government and the merged government imposes a restaurant tax, a restaurant shall credit the payment of the city restaurant tax against the amount due the merged government.

A restaurant that pays a restaurant tax shall not pay a percentage-based occupational license fee or tax imposed on the net profits or gross receipts of the business by the same taxing jurisdiction. This proposal does not eliminated the requirement for the business to obtain a business license or prevent the application of an occupational license fee or tax from being assessed on the wages of the restaurant's employees.

A city or merged government levying a restaurant tax for the first time or changing the rate of an existing restaurant tax shall require the initial levy or rate change be done by ordinance and be effective at the beginning of a calendar month.

HB 511 is supported by the Kentucky League of Cities.

The Kentucky Association of Counties opposes HB 511.

**The fiscal impact of HB 511 is indeterminable.** We do not know what tax jurisdictions will impose a restaurant tax in the future.

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

Part II refers to HB 511 as introduced. There are no prior versions of the bill.

**Data Source(s):** LRC Staff

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