

to initiate annexation and a final ordinance to complete annexation; the annexing city must provide notice by mail to each property owner in the territory proposed for annexation, the city clerk must certify addresses of those property owners, and a hearing must be held so that the property owners may be heard regarding the proposed annexation. Where annexation is agreed to by all property owners in the territory, no separate notice to the property owners is required and only a single public hearing on the proposed annexation is required. HB 554 would prohibit a city from annexing uninhabited areas such as rights-of-way, bodies of water, or roadways. Neither would a city be able to annex solely commercial property because of the 10 resident requirement.

HB 554 would have an indeterminable indirect positive fiscal impact on counties. Under current law, in a county that enacted a license fee ordinance on or after July 13, 1990, if both the county and a city within that county impose an occupational tax or insurance premium tax, the tax amount paid to the city is credited against the amount owed to the county, resulting in a loss of revenue to the county. As of June, 2019 the Insurance Institute of Kentucky reports that 362 municipalities and 42 counties currently impose insurance premium taxes. HB 554 would make it more difficult for cities to annex territory and so stem the loss of tax revenue to counties due to crediting of taxes paid to a city. The Kentucky Association of Counties (KACo) reports that the loss of revenue due to crediting of taxes is greater when a city annexes a strictly commercial property.

Below are the communities where the city insurance premium tax must be credited against the county tax (county tax ordinance was passed on or after July 13, 1990):

Hopkins County City of Dawson Springs (Life Only) City of Saint Charles (Life Only) City of White Plains (Life Only)	Meade County City of Ekron (Except Health & Life)
Pulaski County City of Science Hill (Except Health)	Menifee County City of Frenchburg (Except Health & Life)
Trimble County City of Milton (Except Health)	Henderson County City of Robards
Floyd County City of Wheelwright (Health Only) City of Prestonsburg (Life Only)	Knott County City of Hindman (Except Health & Life)

Below are the communities where the city insurance premium tax is **not** credited against the county tax (county tax ordinance was passed prior to July 1, 1990 so is “grandfathered” and no crediting is required):

Anderson County City of Lawrenceburg	Fulton County City of Hickman City of Fulton	Washington County City of Springfield
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Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II addresses HB 554 as introduced.

Data Source(s): Kentucky League of Cities; Kentucky Association of Counties; Insurance Institute of Kentucky website: iiky.org/local-government-insurance-premium-taxes-municipal-premium-taxes/; Kentucky Department of Insurance Website: insurance.ky.gov/ppc/Documents/2019-2020_KY_LGPT_annualbulletin

Preparer: Mary Stephens **Reviewer:** KHC **Date:** 3/10/20