Local Government Mandate Statement
Kentucky Legislative Research Commission
2021 Regular Session

Part I: Measure Information

Bill Request #: **1673**

Bill #: HB 494

Document ID #: 4612

Bill Subject/Title: AN ACT relating to the private motor vehicle rentals and making an appropriation therefor.

Sponsor: Representative Myron Dossett

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

Office(s) Impacted: Designated Cities, Urban-County and Consolidated Local Government

Requirement: **X** Mandatory **X** Optional

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

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

This legislation sets out the regulatory scheme for private motor vehicle rentals. It defines private motor vehicle, private vehicle rental, and private vehicle rental program, as well as many terms related to private vehicle rental programs. It sets private vehicle rental program transaction parameters as well as insurance requirements for private vehicle owners, renters, and insurance providers. The bill allows designated cities, urban-county government, and consolidated local government to levy a motor vehicle license fee on private motor vehicle rentals.

Only sections of this bill that pertain to local government is addressed in this local mandate.

Section 9 amends KRS 68.200 to permit a county containing a designated city, consolidated local government, or urban-county government, to levy a license fee on private vehicle rentals facilitated by private vehicle rental program providers. The fee shall not exceed three percent of the gross rental charges for rental periods of 30 days or less. The license fee shall only apply to retailers who receive more than 75 percent of their gross revenues generated in the county, from gross rental charges. **A fiscal court or the legislative body shall provide for collection of the license fee in an ordinance.** The revenues shall be deposited in an account to be known as the motor vehicle license fee account and used for economic development activities.

Section 10 creates a new section of KRS Chapter 138 to establish a **mandatory** six percent transaction fee for each vehicle rental where a private vehicle rental program provider holds a certificate to operate as a U-Drive-It. Revenues generated from collection of this transaction fee shall be deposited into the Commonwealth's road fund.

Section 11 amends KRS 138.463 exempting vehicle rental transactions from usage tax if the private vehicle rental program providers are required to pay the six percent transaction fee imposed by Section 10 of this Act.

The fiscal impact on local government is indeterminable given the unknowns of how many private vehicle renters would enter the market, and what the demand would be for those rentals.

There are 10 counties with designated cities, the urban-county government (Lexington-Fayette County) and consolidated local government (Louisville) that may impose the optional license fee permitted by Section 9 upon enacting an ordinance levying the fee. As the language of this bill is permissive, there may be no fiscal impact for some local governments. For those local governments who enact the required ordinance, **the overall revenues from this fee would have a positive fiscal impact on economic development activities.**

Local governments that choose to create ordinances approving the motor vehicle license fee will incur costs associated with the drafting, publication, indexing and recording of adopted ordinances, and at least every five years, review and eliminate redundant, obsolete, inconsistent, and invalid provisions.

According to Kentucky League of Cities, most cities, especially the smaller ones, retain their city attorney on contract and pay on an hourly basis. Time spent drafting an ordinance is influenced by its complexity and the amount of research that is necessary. In FY 2020, the average hourly rate was $107. Rates for legal notices vary greatly depending on the length of the publication, the number of times it needs to be published and the newspaper in which the publication is placed. Therefore, these costs are unknown.

Revenue added to the road fund from the mandatory transaction fee from Section 10 should have an undeterminable positive fiscal impact on local government. In accordance with current allocations of the Commonwealth's road fund, 48.2 percent is allocated to local governments of which 22.2 percent to secondary and rural roads, 18.3

percent to county roads and bridges (KRS 177.320), and 7.7 percent to urban roads and streets (KRS 177.365).

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

Part II, above, pertains to the bill as drafted.

Data Source(s): Kentucky League of Cities, LRC Staff

Preparer: Mark Offerman **Reviewer:** KHC **Date:** 2/19/21