

**Local Government Mandate Statement  
Kentucky Legislative Research Commission  
2022 Regular Session**

**Part I: Measure Information**

**Bill Request #:** 1455

**Bill #:** HB 438

**Document ID #:** 4053

**Bill Subject/Title:** AN ACT relating to the levy of occupational license fees.

**Sponsor:** Representative Tom Smith

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

Office(s) Impacted: \_\_\_\_\_

Requirement:  Mandatory  Optional

Effect on

Powers & Duties:  Modifies Existing  Adds New  Eliminates Existing

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

HB 438 proposes to remove the population requirement and the one percent rate limitation for counties that levy occupational license fees. It also proposes to remove the mandatory crediting requirement for occupational license fees levied by a city and county, but continues to allow cities and counties to credit occupational license fees through an agreement.

The overall local fiscal impact of HB 438 is indeterminable, as it is unknown how many counties will choose to increase their occupational license fee rate due to the removal of the one percent rate limitation.

The removal of the mandatory crediting requirement will require individuals working in the city to pay both county and city occupational license fees, which will increase the amount of occupational license fees paid by individuals. The removal of the mandatory crediting will also increase the county revenues by allowing counties to collect the full amount of the occupational license fees they levy.

KLC has provided an estimate that as many as 250,000 Kentuckians may face an immediate increase in occupational license fees of around \$114 million if the provisions of HB 438 are enacted. KLC based their estimate on an analysis of wages and commuting patterns of workers. They also used wage data from the U.S. Census Bureau's American Community Survey 5-year estimates, the Census Bureau's Longitudinal Employer-Household Dynamics data, and KLC's application of the county payroll tax rates to worker wages. KLC's analysis only includes Kentucky residents.

KACo was contacted for input. As of the date of this Local Government Mandate Statement, a response has not been received. When a response is received, this statement will be updated accordingly.

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

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

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

**Preparer:** Cynthia Brown      **Reviewer:** KHC      **Date:** 3/17/22