

same distribution method which is outlined for all other cities and counties that levy the restaurant tax.

HB 449 requires that any first-time levy of the tax or changes to the tax rates of the restaurant tax take effect at the beginning of a calendar month.

HB 449 also exempts occupational license fees for restaurants that pay a restaurant tax. Currently, there are 50 fourth and fifth class cities that levy a restaurant tax, and 26 of those 50 cities levy occupational license fees on net profits or gross receipts. The tax rates levied on restaurants will vary by city. The average restaurant tax rate for the 50 cities is 2.7% with the highest rate being 3%. The average occupational license fee rate for 24 of the 26 cities is 1.14% with the highest rate being 2%. The cities of Cadiz and Oak Grove were excluded from the average occupational license fee rate calculation as those cities have various rates.

If the 26 cities that levy both restaurant taxes and occupational license fees on net profits and gross receipts, do not currently exempt restaurants from paying occupational license fees, the exemption created by HB 449 will decrease the city revenues. This decrease in revenues for these cities may only occur until July 1, 2024. After this date, the distribution of the restaurant tax revenues for these cities will change and the cities will be able to retain more of the restaurant tax revenues instead of distributing 100% to the tourism and convention commission. The overall fiscal impact of HB 449 for these cities depends on the amount of revenues generated by the restaurant tax.

HB 449 allows counties and cities of any class to levy a restaurant tax. For cities and counties that do not currently levy a restaurant tax, the levy of a new restaurant tax could generate additional revenues. Whether or not the overall fiscal impact is positive or negative would be dependent upon the rate which the restaurant tax is levied and whether or not the city or county levies occupational license fees on net profits or gross receipts. Since the levy of the restaurant tax is optional, it is unknown which cities and counties will choose to levy a restaurant tax or the rate at which the tax will be levied. Therefore, the overall fiscal impact of HB 449 is indeterminable.

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

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