Local Government Mandate Statement Kentucky Legislative Research Commission 2023 Regular Session

Part I: Measure Information

Bill Request #: 1121							
Bill #: HB 383							
Document ID #: <u>3794</u>							
Bill Subject/Title: AN ACT relating to the Kentucky Reinvestment Act Program.							
Sponsor: Representative Russel Webber							
Jnit of Government: X City X County Init of Government: X City X Urban-County							
XCharter CountyXConsolidated LocalXGovernment							
Office(s) Impacted: Local Payroll Offices							
Requirement: X Mandatory Optional							
Effect on Powers & Duties: Modifies Existing _X Adds New Eliminates Existing							

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

Section 1:

Creates a new section of Subchapter 34 of KRS Chapter 154 to award incentives to those eligible companies that include wage assessments in the reinvestment agreement pursuant to the Kentucky Reinvestment Act Program. Different wage assessment calculations are provided based on the location of a project, including whether the project is in an enhanced county.

A reinvestment agreement is an agreement between the Kentucky Economic Finance Authority and an approved company regarding incentives that a company is eligible for if it undertakes a reinvestment project through the acquisition, construction, or installation of new equipment in a new or current facility. As it pertains to HB 383, a company that has entered a reinvestment agreement may offset their withholding account based on a wage assessment calculation. An enhanced incentive county is defined in KRS 154.32-050 as a county which has an unemployment rate that exceeds the statewide rate for the most recent five consecutive years or has an average rate of unemployment exceeding the statewide rate by 200% in the most recent year.

Section 2:

Amends KRS 141.310 to provide that any employer required to withhold Kentucky income tax and who also assesses and withholds the job assessment fee from the employees pay may offset the state portion of the assessment against the Kentucky income tax to be withheld.

Section 5:

Amends KRS 154.34-110 to cap the maximum amount of wage assessments at \$25 million for reinvestment projects for each year an approved company participates in the Kentucky Reinvestment Act Program.

The fiscal impact of HB 383 on local governments is indeterminable.

The wage assessment fee discussed in HB 383 would have an impact on local occupational taxes. We don't know what jurisdictions would be affected and to what extent, and whether they would forego any part of their local occupational license fee.

Any change in procedures or how the net tax is calculated may require changes to local ordinances. If so, 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. FY 2020 data reflected 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.

Attached is a map of Enhanced Incentive Counties (2022-2023) taken from the Cabinet for Economic Development Web Site.

Kentucky Cabinet for Economic Development Enhanced Incentive Counties (2022-2023)



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

Part II refers to HB 383 as introduced. There are no prior versions.

Data Source(s): LRC Staff, Kentucky Cabinet for Economic Development

Preparer:	WB (MS)	Reviewer:	KHC	Date:	3/1/23	
------------------	---------	------------------	-----	-------	--------	--