

Sections 2:

Creates new sections to KRS Chapter 235 to require an annual waterway usage fee for all motorboats operated on the waters of the Commonwealth. This includes vessels documented with the United State Coast Guard (USCG), motorboats not primarily located in Kentucky, and all motorboats not registered in accordance with KRS 235.040. It sets the amount of the fee based on overall length of the motorboat. All moneys derived from the collection of this fee shall be remitted to the State Treasurer for deposit into a waterway usage fund established by this legislation except for a permitted transaction fee. The Department of Revenue will distribute the monies in the fund as follows:

- First, 15 percent to the Department of Fish and Wildlife Resources for the enforcement of the waterway usage fee;
- Second, distribute moneys to the state, local governments, school, and other taxing districts until each taxing district receives an amount equal to the amount of tax revenues the taxing district received from the January 1, 2022, ad valorem tax assessment of USCG documented vessels; and
- Lastly, twenty-five percent of the remaining funds to the Kentucky lakes and river tourism fund established by this legislation.

If in any year the total revenue collected from these fees is not sufficient to cover the second distribution above, each taxing district will receive a pro rata reduction in revenues.

Section 3:

The waterway usage fee shall be considered a permit and shall be administered by the Kentucky Department of Fish and Wildlife Resources under KRS 150.195. Upon receipt of the full payment of the waterway usage fee, the owner or operator of the motorboat shall receive and display a sticker on each side of the motorboat's bow. If the permit is purchased online, the receipt of the transaction shall serve as a permit until a sticker is received.

Section 4:

A new section of KRS Chapter 148 establishes the Kentucky lakes and rivers tourism fund to be administered by the Tourism, Arts, and Heritage Cabinet. Monies in the fund shall be distributed to local governments through an application process to promote tourism activities on the waters of the Commonwealth through direct marketing and advertising. Any distribution of funds shall be contingent upon the local government or private entities providing a match of at least 20 percent of the amount requested from the fund.

Sections 6 and 7:

Amends KRS 235.999 and KRS 150.160 respectively, directing that 60 percent of the fine for failing to pay the waterway usage fee be directed to the waterway usage fund and 40 percent to the Department of Fish and Wildlife Resources for enforcement of the waterway usage fee.

Section 10:

makes this Act effective January 1, 2024.

The fiscal impact of HB 496 on local governments is indeterminable but is expected to be negative.

Reported state and local ad valorem taxes received from USCG documented vessels that submitted tax returns totaled approximately \$1.2 million for 2019.

According to a report from the USCG, there are approximately 2,400 documented boats in the Commonwealth. Applying the fee schedule above, revenues of approximately \$450,000 are initially expected, based on the known USCG documented vessels.

It is nearly impossible to determine the number of USCG documented vessels that are subject to ad valorem taxes. The USCG data can often be inconclusive as many owners live out of state or the owner lists the hailing port as anywhere other than the true location. The USCG does not require proof to list or change a hailing port on a registration. Additionally, boats that were previously registered with the USCG may not renew their USCG registration and after a period of time, the USCG purges them from their system. This would also include any boats that were scrapped or rendered inoperable. Boats may also be sold or transferred and since documented vessels are not required to be registered, ownership status may not be known.

The USCG provides no enforcement for vessels that are endorsed as recreational in the database as it is considered a voluntary decision by the vessel owner to have their vessel documented. As a result, it is possible that new or current owners may believe that they are documented with the USCG and are not, or owners may not be aware of the requirements required to remain documented. Because of this lack of enforcement, it is highly likely that some vessels in the state may not be accounted for.

This legislation requires that all boats on the waterways of the Commonwealth to display either a registration sticker or a waterway usage permit sticker making enforcement of these laws easier on law enforcement. **Documented boats previously not paying their ad valorem taxes will now be required to pay the water usage fee and will generate additional revenues.**

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

Part II refers to HB 496 as introduced. There are no prior versions.

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