

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2025 Regular Session**

Part I: Measure Information

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|------------------------|---|-----------------|--------------------------------|
| Bill Request #: | 301 | Bill #: | HB 253 |
| Document ID #: | 2870 | Sponsor: | Representative Jared A. Bauman |
| Bill Title: | AN ACT relating to the collection of local business taxes and fees. | | |

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

Office(s) Impacted: All entities that collect occupational liscence fees

Requirement: Mandatory Optional

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

Other Fiscal Statement(s) that may exist: Actuarial Analysis Corrections Impact
 Health Benefit Mandate State Employee Health Plan

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

HB 253 would establish a centralized system for reporting, collecting, and distributing local occupational license fees. The state treasurer would be required to develop a web-based system by January 1, 2028, allowing businesses to report and pay these fees in a single transaction, regardless of the number of local jurisdictions involved. The system would provide businesses with access to fee rates and reporting tools while giving local jurisdictions access for auditing and compliance. Revenues collected would be required to be distributed within 12 hours, and businesses would be authorized to use the system but would not be required to do so and may continue to report and pay occupational license fees to the local taxing jurisdiction. The state treasurer would not be responsible for auditing or compliance enforcement.

Local governments would be required to cooperate with the state treasurer in the development and implementation of the centralized occupational license fee collection system. They would need to enact or amend any necessary ordinances to allow businesses to report and pay occupational license fees through the system. Additionally, local

governments would be required to submit and update their occupational license fee rate and related information to the state treasurer to ensure accuracy within the system. They would also need to develop procedures for crediting or refunding overpayments made by businesses using the system. Furthermore, local governments would be granted access to reported occupational license fee information for auditing and compliance purposes; however, the state treasurer would not be responsible for enforcing compliance. Despite the creation of the centralized system, local governments would still have the authority to collect occupational license fees directly from businesses that choose not to use the system.

Additionally, HB 253 would create a working group chaired by the state treasurer to modernize local business tax reporting and collection. The group, composed of representatives from state and business organizations, would provide recommendations on creating a centralized system for modernizing the reporting, collection, and distribution of local business taxes and fees.

The impact of HB 253 is indeterminable, but is likely to be minimal to moderate.

HB 253 would not change the amount of revenue local governments receive from local business taxes and fees. A centralized system could potentially reduce the administrative burden of collecting occupational license fees directly from businesses. However, participation in the system would be voluntary, and it is uncertain how many businesses would choose to use it.

The overall impact of HB 253 would differ from jurisdiction to jurisdiction. Jurisdictions with more businesses are likely to see a greater reduction in administrative burdens than those with fewer businesses. Additionally, jurisdictions differ in their collection of occupational license fees, with some opting not to impose them at all. The Kentucky Association of Counties (KaCo) estimates that 86 counties collect occupational license fees, while a 2023 publication from the Kentucky League of Cities (KLC) estimated that approximately 173 Kentucky cities imposed an occupational license fee in FY 2023.

If passed, HB 253 could result in costs for local governments related to assisting the state treasurer with development and implementation, enacting or amending ordinances for compliance, and establishing procedures for reporting and payment of occupational license fees.

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

Preparer: AS **Reviewer:** JB (MDA) **Date:** 2/5/25