Local Government Mandate Statement
Kentucky Legislative Research Commission
2025 Regular Session

Part I: Measure Information

Bill Request #:	1459	**Bill #:**	HB 564
Document ID #:	3014	**Sponsor:**	Representative Pamela Stevenson
Bill Title:	AN ACT relating to wages.		

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

Office(s) Impacted: All who employ persons earning minimum wage or receive occupational license taxes

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

KRS 337.010 currently excludes from the definition of "employee" employees of retail stores, service industries, hotels, motels, and restaurants whose average annual gross volume of sales is less than $95,000 for the 5 preceding years excluding excise taxes at the retail level. **Section 1 of HB 564** would raise the volume of sales of the identified businesses to which the exclusion applies to those whose average annual gross volume of sales for the preceding 5 years is less than $500,000.

Section 2 of HB 564 would increase the required minimum wage payable to employees from the current $7.25 per hour to $11 per hour on the effective date of the Act. It would then increase annually on July 1 of each subsequent year through 2029, rising to $12.50 per hour on July 1, 2026, $14 per hour on July 1, 2027, $15.50 per hour on July 1, 2028, and reach $17 per hour on July 1, 2029. BR 1459 would mandate that beginning on July 1, 2030, employers would be required to pay a minimum wage based on the percent increase in the non-seasonally adjusted annual average Consumer Price Index for All

Urban Consumers, U.S. City Average, All Items, between the two most recent calendar years available as published by the United States Department of Labor Bureau of Labor Statistics.

Additionally, HB 564 would increase the minimum hourly wage of tipped workers who receive more than $30 per month to $8 per hour on the effective date of the Act. It would then increase annually on July 1 of each subsequent year through 2030, rising to $10 per hour on July 1, 2026, $12 per hour on July 1, 2027, $13.50 per hour on July 1, 2028, $15 per hour on July 1, 2029, and reach $17 per hour on July 1, 2030.

HB 564 would further mandate that if the federal minimum hourly wage for is increased in excess of the amount mandated by the bill, then the higher federal rate would apply.

Furthermore, HB 564 would authorize cities and counties to adopt and enforce a minimum wage higher than the one established by the bill, provided they comply with at least the minimum applicable wage required under its provisions. In the case of a consolidated local government (Louisville-Jefferson County Metro Government is the only consolidated local government in Kentucky) only the local governing body would be authorized to establish a minimum wage, which would apply countywide.

HB 564 could have a positive fiscal impact on cities and counties that impose an occupational license tax, as higher wages would generate increased tax revenue. Conversely, it could have a negative fiscal impact on cities and counties that do not levy an occupational license tax, as they may face higher payroll costs due to the increased minimum wage without offsetting revenue from occupational license taxes.

Under KRS 68.197, counties with populations of 30,000 or more may impose an occupational license tax of up to 1%**.** Counties that enacted an occupational license tax under KRS 67.083 are not required to reduce their tax rate if their population later exceeds 30,000. In general, KRS 68.197 requires that occupational license taxes paid to cities be credited against the county occupational license tax imposed under that statute.

Under KRS 68.180**,** counties with populations of 300,000 or more may increase the occupational license tax up to 1.25%**.** KRS 68.190 provides that all occupational license taxes paid to first-class cities are credited against the county occupational license tax imposed under KRS 68.180. Other city taxpayers in counties with populations greater than 300,000 may receive a tax credit if both the city and county contribute to certain joint agencies.

Under Section 181 of the Kentucky Constitution and KRS 67.083, all Kentucky counties are authorized to collect occupational license taxes. Counties with populations under 30,000 are not subject to the statutory limitations on tax rates imposed by KRS 68.197 and KRS 68.180. Similarly, cities may impose occupational license taxes under Section 181 of the Kentucky Constitution and KRS 92.281 and, like counties with populations under 30,000, are not subject to statutory limits on their tax rate.

Taxpayers in counties with populations under 30,000 are not entitled to credit city occupational license taxes against county occupational license taxes. Counties that grow from a population under 30,000 to 30,000 or more are grandfathered in and remain exempt from providing a credit for city occupational license taxes under KRS 68.199.

The Kentucky Association of Counties estimates 86 Kentucky counties currently impose an occupational license fee on workers in their county and would benefit from increased revenue from wage increases. Counties without an occupational license fee would not benefit from increased revenue from BR 1459 but could have increased wage expenses for their minimum wage employees.

Counties with a population under 30,000 that impose occupational license taxes may have more significant financial benefits under BR 1459 because they are not subject to limits on the occupational license tax rate and are not required to offset city occupational license taxes.

According to a 2023 publication from the Kentucky League of Cities (KLC), approximately 173 Kentucky cities imposed an occupational license tax in FY 2023. Like counties, cities that impose occupational license taxes would benefit from increased tax revenues due to higher wages, while those without such taxes would not see increased revenue but may face higher payroll expenses. Additionally, because cities are not required to offset county occupational license taxes and are not subject to the limitations on rates, they may experience a greater financial impact from these tax revenues. LRC staff reached out to the KLC for updated information. If KLC provides information this mandate statement may be amended.

Approximately 14,000 of Kentucky's 1.1 million hourly workers currently make at or below the federal minimum wage of $7.25 per hour, according to the most recent 2023 data from the U.S. Bureau of Labor Statistics (BLS). This figure includes 2,000 workers earning exactly minimum wage and an additional 12,000 earning below that threshold. It is unknown how many of these workers in Kentucky are employed by local governments.

Data Source(s): Kentucky League of Cities; Office of the Kentucky Secretary of State; Kentucky Association of Counties; LRC staff; U.S. Bureau of Labor Statistics.

Preparer: AS **Reviewer:** BW (MDA) **Date:** 2/13/25