

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

Part I: Measure Information

Bill Request #:	975	Bill #:	HB 696
Document ID #:	1766	Sponsor:	Rep. Ken Upchurch
Bill Title:	AN ACT relating to motorboats.		

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

Office(s) Impacted: All local governments

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

Only sections of this legislation pertaining to local governments are addressed in this mandate.

BR 975 exempts some boats from property taxation and establishes a waterway usage fee.

Section 1 would create a new section of KRS Chapter 132 exempting federally documented vessels not used commercially or in the business of transporting persons or property for compensation or hire, from all state and local ad valorem taxes, including county, city, school, and other taxing district.

Sections 2 would create a new section of KRS Chapter 235 to require an annual waterway usage fee beginning January 1, 2026, for all motorboats operated on the waters of the Commonwealth. This would include vessels documented with the United States Coast Guard (USCG), motorboats not primarily located in Kentucky, and all motorboats not registered in accordance with KRS 235.040.

Section 2 would create a new section of KRS Chapter 235 to establish an annual waterway usage fee, effective January 1, 2026, for all motorboats operated on the waters of the Commonwealth. This fee would apply to vessels documented with the United States Coast Guard (USCG), motorboats not primarily located in Kentucky, and all motorboats not registered under KRS 235.040.

The fee amount would be based on the overall length of the motorboat. All revenue collected, except for a permitted transaction fee, would be remitted to the State Treasurer for deposit into a waterway usage fund established by this legislation. The Department of Revenue would be responsible for distributing the funds as follows:

- First, 15% to the Department of Fish and Wildlife Resources for enforcement of the waterway usage fee.
- Second, distribution to the state, local governments, schools, and other taxing districts until each taxing district receives an amount equal to the tax revenues it collected in the 2024 assessment year from the ad valorem tax assessment of USCG-documented vessels.
- Lastly, any remaining revenue would be deposited into the Kentucky lakes and rivers tourism fund established in this bill.

If, in any year, the total revenue collected from these fees is insufficient to fully fund the second distribution, each taxing district would receive a pro rata reduction in revenues.

The waterway usage fee would be considered a permit and administered by the Kentucky Department of Fish and Wildlife Resources under KRS 150.195. Upon full payment of the fee, the motorboat owner or operator would receive a sticker to be displayed on each side of the motorboat's bow.

Section 3 would create a new section of KRS Chapter 235 to establish a separate trust fund, the waterway usage fund, which would collect and distribute the fees outlined in Section 2.

Section 4 would create a new section of KRS Chapter 148 to establish the Kentucky Lakes and Rivers Tourism Fund, which would be administered by the Tourism, Arts, and Heritage Cabinet. Monies in the fund would be used to distribute grants 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 would be contingent upon the local government or private entities providing a match of at least 20% of the amount requested from the fund.

Sections 6 and 7 would amend KRS 235.999 and KRS 150.160, respectively, to establish a fine for failing to pay the waterway usage fee. The revenue from these fines would be allocated as follows: 60% to the waterway usage fund and 40% to the Department of Fish and Wildlife Resources for enforcement of the waterway usage fee.

Section 10 would make this Act effective on January 1, 2026.

The fiscal impact of HB 696 on local governments is indeterminable.

The number of USCG documented vessels that are subject to ad valorem taxes cannot be determined. USCG data is often inconclusive, as many owners reside out of state or list a hailing port that does not reflect the vessel's actual 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 be unknown.

The USCG does not enforce documentation requirements for vessels designated as recreational, as documentation is considered a voluntary decision by the vessel owner. 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 necessary 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 would require that all boats on the waterways of the Commonwealth display either a registration sticker or a waterway usage permit.

Data Source(s): LRC Staff

Preparer: BW **Reviewer:** AS (MDA) **Date:** 1/29/25