

1 AN ACT relating to the collection of local business taxes and fees.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 41 IS CREATED TO
4 READ AS FOLLOWS:

5 (1) As used in this section:

6 (a) "Occupational license fee" means any occupational license fee levied by a
7 local taxing jurisdiction under KRS 67.083, 68.180, 68.197, 91.200, or
8 92.281; and

9 (b) "System" means the centralized occupational license fee collection and
10 reporting system developed under subsection (2) of this section.

11 (2) On or before January 1, 2028, the Office of the State Treasurer shall develop and
12 maintain a web-based system for the centralized reporting, collection, and
13 distribution of occupational license fees. The State Treasurer may contract with a
14 third party for the development and operation of the system. The system shall:

15 (a) Accommodate the payment and reporting of occupational license fees by a
16 business, including allowing payment and reporting to occur in a single
17 transaction regardless of the number of local taxing jurisdictions involved;

18 (b) Allow businesses to view the occupational license fee rate and related rate
19 base information for each local taxing jurisdiction imposing an
20 occupational license fee; and

21 (c) Provide local taxing jurisdictions access to the occupational license fee
22 information reported by a business for auditing and compliance purposes.

23 (3) Revenues collected by the system shall be distributed to the applicable local taxing
24 jurisdictions within twelve (12) hours of receipt.

25 (4) The State Treasurer may impose an annual fee on businesses using the system to
26 help offset the cost of the system's development and maintenance.

27 (5) Businesses shall not be mandated to use the system and shall continue to have the

1 option to report and pay occupational license fees directly to local taxing
2 jurisdictions.

3 (6) The State Treasurer shall promulgate administrative regulations in accordance
4 with KRS Chapter 13A, which establish:

5 (a) The amount of any fees imposed by the State Treasurer on businesses using
6 the system;

7 (b) Procedures for local taxing jurisdictions to submit or update their
8 occupational license fee rate and related rate base information to the State
9 Treasurer;

10 (c) A registration system for businesses to access the system;

11 (d) A universal template for businesses to use to report their occupational
12 license fees and remit any accompanying payment;

13 (e) Procedures for local taxing jurisdictions to access the occupational license
14 fee information reported by businesses;

15 (f) A distribution process for occupational license fee revenues collected
16 through the system; and

17 (g) Reporting requirements related to providing occupational license fee
18 information to the State Treasurer.

19 (7) The State Treasurer shall not be responsible for:

20 (a) Auditing the occupational license fee information provided by businesses or
21 local taxing jurisdictions;

22 (b) Ensuring that businesses comply with the local taxing jurisdiction's
23 occupational license fee requirements;

24 (c) Verifying the amount of occupational license fees paid by businesses; or

25 (d) Issuing credits or refunds from the system to businesses.

26 (8) Occupational license fees reported and paid through the system shall be subject
27 to the same auditing and compliance requirements as occupational license fees

1 reported and paid directly to the local taxing jurisdiction outside of the system.

2 (9) Local taxing jurisdictions shall:

3 (a) Cooperate fully with the State Treasurer in the development and
4 implementation of the system;

5 (b) Enact or amend any ordinances necessary to allow the reporting and
6 payment of occupational license fees through the system; and

7 (c) Develop procedures to accommodate the reporting and payment of
8 occupational license fees through the system, including procedures for
9 crediting or refunding the overpayment of occupational license fees by a
10 business.

11 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 41 IS CREATED TO
12 READ AS FOLLOWS:

13 (1) To reduce the administrative burden on businesses subject to local taxes in the
14 state, the State Treasurer shall appoint a working group to assist in the
15 modernization of reporting, collecting, and distributing local business taxes and
16 fees.

17 (2) The working group shall be chaired by the State Treasurer or his or her designee
18 and shall be composed of the following representatives appointed by the State
19 Treasurer:

20 (a) One (1) member of the State Treasurer's staff;

21 (b) Two (2) members submitted by the Kentucky League of Cities;

22 (c) Two (2) members submitted by the Kentucky Association of Counties;

23 (d) Two (2) members submitted by the Kentucky Society of CPAs;

24 (e) One (1) member submitted by the Kentucky Association of Manufacturers;

25 (f) One (1) member submitted by the Kentucky Chamber of Commerce;

26 (g) One (1) member submitted by the Kentucky Association of Master
27 Contractors; and

1 (h) One (1) member submitted by the National Federation of Independent
2 Business.

3 (3) The working group shall meet at the call of the chair and provide
4 recommendations on creating a centralized system for modernizing the reporting,
5 collection, and distribution of local business taxes and fees. The
6 recommendations shall outline an implementation plan and proposed budget for
7 the centralized system and include:

8 (a) The needs for businesses and local taxing jurisdictions regarding the
9 functionality of a centralized system;

10 (b) A review of existing centralized systems for collecting local business taxes
11 and fees in other states;

12 (c) The feasibility of developing and maintaining a centralized system; and

13 (d) The estimated costs of developing and maintaining a centralized system,
14 including estimated personnel costs.

15 (4) By the tenth day of each month that follows a meeting of the working group, the
16 working group shall provide a written status report listing concerns identified and
17 recommendations made during the prior meeting to the Senate Standing
18 Committee on Appropriations and Revenue and the House Standing Committee
19 on Appropriations and Revenue, or the Interim Joint Committee on
20 Appropriations and Revenue.