MODERNIZATION OF LOCAL TAX COLLECTION

WHAT IT DOES:

✓ It creates a single online portal to pay local payroll and net profits taxes for all jurisdictions with one transaction.

✓ The Ongoing system expenses paid for by businesses using the portal.

✓ It creates ease of filing and payment, which will likely increase compliance and provide more funds to local governments

✓ It requires that remitted funds be deposited to local government accounts within one day.

✓ It Places the State Treasurer in charge of the system, as they already handle remittances and fund transfers.

✓ It requires the appointment of a steering committee, made up of stakeholders, to develop system design for bidding to third-party programmers.

✓ Businesses are not required to use the new system but all local jurisdictions are.
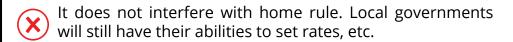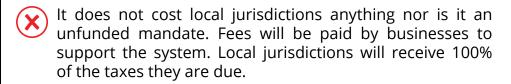
✓ It creates a reporting system for local jurisdictions for audit and compliance.

✓ It dramatically reduces paperwork and administrative costs for a vast number of Kentucky small businesses.

WHAT IT DOES NOT DO:

✗ It does not interfere with home rule. Local governments will still have their abilities to set rates, etc.

✗ It does not cost local jurisdictions anything nor is it an unfunded mandate. Fees will be paid by businesses to support the system. Local jurisdictions will receive 100% of the taxes they are due.

✗ It does not allow the holding of the local funds by the state.Under the supervision of the State Treasurer, it requires that collections be deposited in the local jurisdictions' accounts the same day as it is received by the system.

✗ It does not discourage economic development. In fact, the ease of reporting and transfer will likely encourage compliance and removes a disincentive for new businesses.

✗ It does not create a new state bureaucracy. The system is basically a merchant account like most online retailers. There may need to be one or two staffers added to State Treasurer's office for maintenance and oversight.

✗ It does not require every business to participate. Local businesses can continue with the current system, should they choose.

✗ It does not rush implementation. The bill calls for a steering committee be appointed, made up of stakeholders to work through 2025 to create a basis for an RFI for system development. It then allows all of 2026 for build out and testing until it goes online January 1, 2027.