

Local option taxes play a marginal role in transportation finance in Kentucky. The state constitution prohibits local governments from imposing excise taxes, including sales and gasoline taxes.¹

1. Fuel and Vehicle Taxes

Local governments may levy personal property taxes on motor vehicles for any of the same purposes for which they tax real estate, but they need not charge the same rates. In general, the average tax rates among cities and counties are higher for motor vehicles than for real property (however, this pattern is reversed among special districts).² In all, local governments raised an estimated \$13.4 million (\$3.42 per capita) in highway-related revenues from personal property taxes on motor vehicles in 1997.³

In addition, certain counties may levy vehicle rental taxes to fund economic development projects.⁴ No central information is available on how extensively this tax has been implemented, or whether the revenues are used for transportation projects.

2. Property Taxes and Assessments

Local governments have the authority to levy property taxes to fund a variety of transportation-related projects and programs. With voter approval, cities and counties may adopt these property taxes for any specified purpose.⁵ Generally, taxes levied by local agencies are used for transit.⁶ Local governments may also adopt levies on behalf of transit authorities, road districts, and parking authorities.⁷

Only partial information on the extent of these taxes is available. In 1999, there were 15 road districts in the state, concentrated in Gallatin, Henry, and Oldham counties.⁸ No transit authorities are listed as levying property taxes; however, The Transit Authority of Northern Kentucky (serving the Cincinnati metropolitan area) reports that it receives dedicated property tax revenues.⁹

3. Sales and Other Taxes

In 1974, Kentucky authorized local option sales taxes for public transit,¹⁰ but these have not been implemented because they were found to violate the state constitution's prohibition of local excise taxes.

The state also allows special "occupational license taxes" that can be used to fund transit, parking facilities, or other public services (which could include transit). These license taxes can take the form of a flat payroll tax or a net profits tax. Boone, Campbell, and Kenton Counties have adopted payroll taxes to help fund the Transit Authority of Northern Kentucky, which serves the southern Cincinnati region. These

¹ Constitution of Kentucky, § 181.

² Kentucky Revenue Cabinet, "Property Tax Rates 1999," p. 75.

³ Kentucky Transportation Cabinet, Local Highway Finance Report (FHWA-536) (1997).

⁴ Kentucky Revised Statutes, § 68.200.

⁵ Kentucky Revised Statutes, §§ 65.125, 68.090, and 68.520.

⁶ Kentucky Transportation Center (phone interview November 27, 2000).

⁷ Kentucky Revised Statutes, §§ 67A.925, 96A.340, and 184.020.

⁸ Kentucky Revenue Cabinet, "Property Tax Rates 1999."

⁹ Federal Transit Administration, *National Transit Database 1998*.

¹⁰ Kentucky Revised Statutes, § 96A.340.

payroll taxes were adopted in 1978 after an unsuccessful attempt to pass a sales tax in these counties.¹¹ In addition, Jefferson County has a 0.2% payroll tax that funds the Transit Authority of River City, which serves the Louisville area.¹² The county is currently considering seeking an increase in the tax in order to fund a proposed light rail line. Together, the payroll taxes in the Louisville and Cincinnati areas generated \$32.8 million in 1998 (about \$33 per resident of these districts).

¹¹ Transit Authority of Northern Kentucky, "TANK History," (2000).

¹² Commerce Clearing House, *State Tax Guide*.

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Overview of County, District, and Local Transportation Tax Laws

Tax Type	State Statute	Tax Name	Areas	Statute Year	Permitted Rates	Maximum Duration	Purposes	Adoption Process
Income	K.R.S. 68.520	Public Service Program Occupational License Tax	Any county	1974	Up to 0.5% of wages or net profits	-	Public services	C
	K.R.S. 67A.926	Parking Authority Occupational License Tax	Urban counties with parking authorities	1976	-	-	Repay bonds for parking facilities	B
	K.R.S. 96A.320	Transit Authority Occupational License Tax	Local governments in transit authorities	1974	Up to 1% of wages or net profits	-	"Mass transportation programs"***	C
Vehicle	K.R.S. 68.200	Vehicle Rental Retailers License Fee	Most counties	1994	3% of rental charges	-	Economic Development	B
Property	K.R.S. 65.125	Special <i>Ad Valorem</i> Tax	Any city	1988	-	-	Specified projects or services	C
	K.R.S. 67A.925	Parking Authority Tax	Urban counties with parking authorities	1976	-	-	Repay bonds for parking facilities	B
	K.R.S. 68.090	County <i>Ad Valorem</i> Tax	Any county	-	Up to 0.5%	-	General Revenues*	B
	K.R.S. 68.520	Public Service Program Tax	Any county	1994	-	-	Public services	C
	K.R.S. 96A.340	Transit <i>Ad Valorem</i> Tax	Local governments in transit authorities	1974	-	-	"Mass transportation programs"***	C
	K.R.S. 184.020	Special Assessments	Public Road Districts	1942	-	-	Road construction and maintenance	C

*All county taxes must have a specified purpose (K.R.S. 68.100)

** See K.R.S. 96A.230 for a definition. Urban-county governments may use funds for road construction. Projects must be specified in advance.

A = State Law
B = County/Local Law
C = Popular Vote

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Adopted County, District, and Local Transportation Taxes

Jurisdictions	Population 1998	Miscellaneous Taxes			Revenues (\$1,000's)	Revs per capita	Notes
		Type	Rate	Purposes			
Counties:							
BARREN	36,971						
BOONE	79,761						[3]
BOYD	49,514						
BULLIT	59,344						
CALLOWAY	33,422						
CAMPBELL	87,301						[3]
CHRISTIAN	72,436						
CLARK	31,941						
DAVIESS	90,973						
FAYETTE	241,697						[1]
FLOYD	43,324						
FRANKLIN	46,501						
GRAVES	35,966						
GREENUP	36,970						
HARDIN	90,576						
HARLAN	34,820						
HENDERSON	44,482						
HOPKINS	46,380						
JEFFERSON	671,595	Payroll	0.20%	Transit	25,840.7	\$38.48	[2]
JESSAMINE	36,577						
KENTON	146,731						[3]
KNOX	31,890						
LAUREL	50,847						
MADISON	66,454						
MARSHALL	30,174						
MCCRACKEN	64,405						
MUHLENBERG	32,060						
NELSON	35,929						
OLDHAM	44,436						
PERRY	30,995						
PIKE	72,020						
PULASKI	56,313						
SCOTT	30,782						
WARREN	87,310						
WHITLEY	35,827						
85 Counties (pop < 30,000)	1,247,586						
Special Districts:							
Transit Authority of Northern KY (BOONE, CAMPBELL, KENTON)	313,793	Payroll		Transit	6,954.5	\$22.16	[3]
Bernan & Fogg Road Dist (GALLATIN)		Property	0.10%	Roads			
Carvers Trail Road Dist (GALLATIN)		Property	0.10%	Roads			
Creekside Develop Road Dist (GALLATIN)		Property	0.10%	Roads			
Markland Park Road Dist (GALLATIN)		Property	0.10%	Roads			
Scenic View Road Dist (GALLATIN)		Property	0.10%	Roads			
Sugar Bay Road Dist (GALLATIN)		Property	0.10%	Roads			
Timberline Road Dist (GALLATIN)		Property	0.10%	Roads			
Pendleton Heights Road Maint (HENRY)		Property	0.10%	Roads			
Pollitt Circle Road Maint (HENRY)		Property	0.10%	Roads			
Rose Hill Road Maint (HENRY)		Property	0.10%	Roads			
Briarhill Road Dist (OLDHAM)		Property	0.10%	Roads			
Crystal Lake Sub Road Dist (OLDHAM)		Property	0.10%	Roads			
Lakewood Valley Road Dist (OLDHAM)		Property	0.10%	Roads			
Shelburn Oaks Road Dist (OLDHAM)		Property	0.10%	Roads			
Willow Creek Road Dist (OLDHAM)		Property	0.10%	Roads			
State Total	3,934,310	Payroll		Transit	32,795.2	\$8.34	

[1] Overall county payroll tax rate 2.25%.

[3] Payroll tax supports Transit Authority of Northern Kentucky.

[2] Overall county payroll tax rate 2.2%. 0.2% supports Transit Authority of River City.