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Authors:

Mark F. Sommer
Daniel G. Mudd
Elizabeth M. Ethington

Expansion of Local Tax Legislation Introduced

While Kentucky local tax reform has been on the legislative agenda for decades in the Commonwealth, on February 11, 2022, Kentucky Legislators introduced House Bill 475, again stepping up to bat to expand local revenue-raising taxation in Kentucky.

As discussed in depth in our prior articles (*see* our Tax Law Defined® Blog), expanding local taxes in Kentucky is not an easy feat. It is a multi-step process that requires an amendment to the Kentucky Constitution to first receive a three-fifths majority vote of the total membership of each house of the General Assembly and then to obtain a majority popular vote at the next House of Representatives general election by Kentucky citizens.

House Bill 475, sponsored by Local Government Chairman Michael Meredith, who has been vocal leading up to the legislative session on the issue of local tax reform, and co-sponsored by over 40 other legislators, including Speaker David Osborne, appears to be the bi-partisan effort that could lead to generational changes in local tax policy. The bill does not set forth a specific type of local tax reform, but rather proposes to amend the Constitution to authorize the General Assembly to create and enable local tax changes. The proposed amendment explicitly states that any local sales and/or use tax imposed must be administered in the same manner as the state sales and use tax – meaning the sales tax base would remain the same on the state and local level.

This is a seismic change in the area of tax reform in light of anticipated large-scale state tax reform by the House. We will continue to monitor the development of local and state tax reform in the Commonwealth.

For more information, please reach out to the authors, Mark Sommer, Elizabeth Mosley and Daniel Mudd. You can also visit our Tax Law Defined® Blog to read about the latest in federal, state and local tax administration.

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