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BULLETIN 2024-01

The following Bulletin is to advise the reader of the current position of the Kentucky Department of Insurance ("Department"), on the specified issue.

THIS BULLETIN IS FOR INFORMATIONAL PURPOSES ONLY. IT DOES NOT AMEND OR INTERPRET PROVISIONS OF THE KENTUCKY REVISED STATUTES OR THE KENTUCKY ADMINISTRATIVE REGULATIONS.

TO: ALL INSURERS AND SURPLUS LINES BROKERS LICENSED TO DO BUSINESS IN KENTUCKY

FROM: SHARON P. CLARK, COMMISSIONER

RE: TERMINATION OF LOCAL GOVERNMENT PREMIUM TAXES FOR VICCO, KENTUCKY AND REMITTANCE OF CURRENTLY HELD TAXES

DATE: April 1, 2024

Purpose

This bulletin is issued by the Department to notify and instruct insurers and surplus lines brokers of the effective dissolution date for the city of Vicco, KY. Additionally, this bulletin will address the appropriate measures and remittance actions insurers and surplus lines brokers will need to take following the effective dissolution date.

Effective Date

This bulletin shall take immediate effect.

Background

On March 24, 2022 Governor Beshear signed SB 106 (now KRS 81.062) which created a one-time administrative dissolution process for defunct cities within the Commonwealth. KRS 81.062 required every city operating as a public corporation and a unit of local government to file with

the Department of Local Government before September 1, 2022 a document re-certifying its status as a city within the Commonwealth. Cities that fail to comply with the required mandate are subject to potential dissolution.

The city of Vicco, KY failed to file the certification and after a public hearing was held, a Recommended Order of dissolution was issued. A Final Order dissolving the City of Vicco was executed on March 1, 2024.

Accordingly, as of March 1, 2024, the city of Vicco, KY was dissolved and any ordinance in effect in Vicco, KY, including those related to local government premium taxes (LGPT), are null and void.

REGULATORY GUIDANCE

Insurers and surplus lines brokers collecting and remitting LGPT for Vicco, KY shall immediately cease all collection of taxes for the city of Vicco. Any LGPT collected for Vicco, KY after March 1, 2024 shall be remitted back to the policyholders within 30 days or the Department may seek administrative action including civil penalties and the application of interest to the funds. In the alternative, insurers and surplus lines brokers may offer a credit to insureds on future premiums if the insured has a current policy.

As Vicco, KY is positioned across the county line for Knott and Perry counties, insurers and surplus lines brokers are instructed to take note of any locations within Vicco that are now subject to a tax by the appropriate county. This may result in some taxes collected after March 1, 2024 being redistributed in accordance with the appropriate county's applicable tax rate. For example, Knott County currently has a four percent (4%) tax rate for all lines except for health and life. As such, the five percent (5%) tax collected from Vicco residents of Knott County should be redistributed as a one percent (1%) return to the resident and a four percent (4%) return to Knott county for all lines other than health and life which would be fully refunded to the resident of Vicco.

Many insurers experienced difficulty sending tax payments to Vicco in previous years and were instructed by the Department to maintain those funds in an escrow account pending finalization of the dissolution. Accordingly, any LGPT collected by insurers and surplus lines brokers prior to March 1, 2024 that are being held by the insurer or broker shall be submitted to unclaimed property through the Kentucky State Treasurer within 30 days of the execution of this bulletin.

Sharon Briggs for Sharon P. Clark

Sharon P. Clark, *Commissioner*
Kentucky Department of Insurance

04/01/2024

4/1/24

Date