



November 2022

## City of Union Payroll and Business License

Union has become a hot spot in the recent decade due to our access to the highways/airport, improvements in public infrastructure, and now commercial investment happening in the middle of town. Unfortunately, having quality infrastructure costs money to maintain. For years, the financial burden of this maintenance fell to the residents of Union through simple property taxes.

In order to help offset the negative impacts of a higher density area, booming commercial influences and the congestion associated with each; the city felt it necessary to put the burden of increased revenue to maintain infrastructure on those who travel to and work in town rather than those who call it home.

**As a result, effective January 1, 2023, a new payroll tax will take effect. Every person or business entity engaged in any business for profit and any person or business entity that is required to make a filing with the Internal Revenue Service, or the Kentucky Revenue Cabinet, shall be required to file and pay to the city an occupational tax for the privilege of engaging in such activities within the city. The payroll rate is 2% of all wages and or compensation paid or payable for work done, or services performed or rendered in the city, by every resident and nonresident who is an employee.** Please note that the place of business will need to withhold this 2% from each employee's wages and remit the total wages collected to the city each quarter starting in 2023.

In addition, the city has levied a **Business License** to be obtained by each business who exists in or has employees which operate in the city corporate limit. Licenses are **\$50** and always expire on **December 31st** of that year. Not for profit organizations are exempt from this license.

Both the Payroll and Business License can be paid through an online system the city is currently developing. This system will be live prior to April of 2023, and additional notices will be sent with instructions on how and when to create an account. This process should streamline the reporting process, making it similar to the collections from Boone County.

**The purpose of this notice is to alert all business to begin withholding 2% of all compensation from your employees starting January 1, 2023.**

If you have any questions, please feel free to call the city building at 859-384-1511. Again, an additional notice will be sent in February of 2023 with further instructions on how to begin to report quarterly on our online system starting April 1<sup>st</sup> for Q1.

## Frequently Asked Questions:

### **Why a new Payroll Tax instead of increasing Property Tax?**

As Boone County continues to explode in population, so does Union. Having more people brings with it a greater demand for entertainment options, services, workplaces and public amenities. Negatively, this also brings congestion and a quicker degradation of our public infrastructure. In addition, these costs reduce the investment the city can make into new amenities to entertain those that live in the area. While the city could levy additional revenue on property, this would be an unfair practice distribution of the tax burden necessary to maintain these resources.

### **Are Net/Gross Profits included with this Tax?**

No, Net/Gross Profits were left at 0%. It is the city's intension to not hurt the bottom line of our small business network.

### **I own my own business/perform my own trade, do I need to pay this tax?**

No, only employees of businesses are subject to this 2% withholding only.

### **What if I work in Union and other jurisdictions inside a quarter?**

You will need to report your total time, then divide out the time spent in Union. More details on how to do this will be included in our second letter which will elaborate on our online system currently in development.

### **Why is the city concerned about Business Licenses?**

Business Retention and Expansion (BRE) makes up 80% of the economic development across America. The city currently has no data on any of our businesses at the moment. Stepping up to help assist business needs, wants and desires through a BRE program will initially require this data.

**\*\*You are receiving this letter as your business or an employee of your business may have worked or provided a service within the city limits of Union, Kentucky. If not applicable, please disregard. If you have questions, please contact the City of Union at 859-384-1511.**