Building a Great State in Kentucky

HB 342: Creating a tax structure that lets us invest in a brighter future

Kentucky taxes should be:

• **Fair** Currently, Kentucky's low- and middle-income families pay about 11% of their income for state and local taxes, while the wealthiest Kentuckians pay only around 6%.

• **Adequate and sustainable** Budget cuts cost jobs and services that Kentuckians depend on. Since 2008 we've had 11 rounds of cuts that have taken $1.6 billion from essential programs.

• **Help improve our quality of life** This comes through essential investments in good schools, health care, public safety and other necessary functions of government we all rely on.

"Whether you earn $250,000 or $20,000, the Kentucky Forward tax package is a fair plan. It lets us all work together for Kentucky's future."

– Toby Wilcher
Madison County

Why Tax Reform? Why Now?

We are Kentuckians, and we want what everyone wants – good jobs, good schools, quality health care, clean drinking water, and safe and healthy communities. But our tax structure is broken, unfair and unable to generate the revenue we need to build a great state.

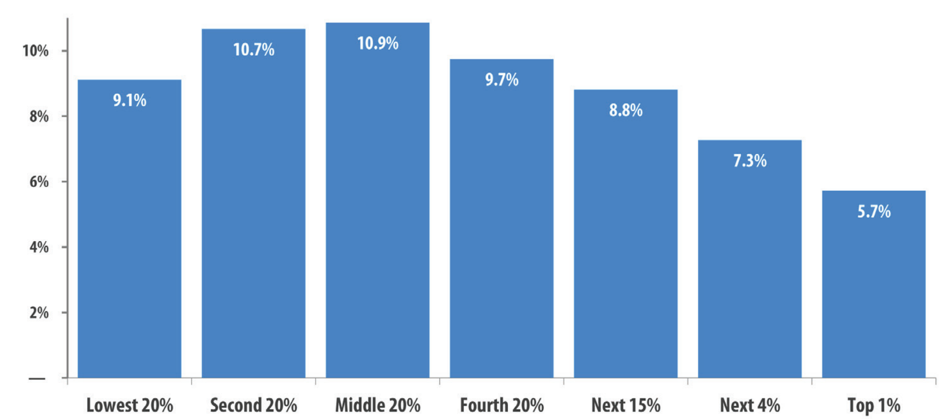
This year, in 2016, we have an opportunity and a great need to raise revenue fairly – so that low- and middle-income Kentuckians no longer pay a disproportionate share. Legislation based on the work of the Blue Ribbon Commission on Tax Reform would bring balance to our tax structure by lowering taxes for low- and moderate-income families, and would generate about $570 million in desperately-needed public dollars every year from sources that currently are untaxed or under-taxed.

Kentucky's current tax structure doesn't live up to our values.

Our current tax structure asks too much from working and middle-class families, and still doesn't raise enough revenue to invest in and maintain important public necessities.

Who Pays Kentucky State and Local Taxes

(as a percent of income, after federal offset)



Source: Who Pays: A Distributional Analysis of the Tax Systems in All Fifty States, 4th edition, Institute for Taxation and Economic Policy, January 2013

Support the solutions in the Kentucky Forward Plan

The Kentucky Forward Plan

HB 342: A balanced, sustainable and adequate approach to raising state revenue and making our system fairer

"When I dream for my children, I do not dream that industries will want to hire my kids because they come cheap. I dream that industries will want to hire my kids and their friends because they are the brightest, most skilled labor force in the world. Not in spite of being Kentuckians, but because they are Kentuckians."

– Dana Beasley Brown
Bowling Green

We want Kentucky to be an attractive place to live, raise families and do business. Business competitive states have high quality-of-life standards, great schools, affordable and accessible healthcare, strong public safety systems, and a healthy environment – and those things are achieved through a stable, adequate and fair tax structure.

Our corporate tax system should incentivize business growth and retention, but not at the detriment of our state income and high quality-of-life standards. Revenue should come from corporations and individuals alike, and Kentuckians should expect that corporations share in revenue raising solutions. Businesses should contribute equitably to the well-being of the state they are growing in.

What the Kentucky Forward Plan would do

MODERNIZE INCOME TAXES

Income taxes would become more progressive under this plan by limiting deductions, decreasing rates for lower and middle incomes, adding a new bracket for the highest incomes, and reducing the generous exclusion on retirement income above $35,000.

LOWER TAXES FOR 400,000 PEOPLE WITH A 15% STATE EARNED INCOME TAX CREDIT

A state EITC for working families earning up to about $47,000 would put about $132 million a year back into the pockets of those working families, and back into their local economies.

MODERNIZE SALES TAXES

Other states tax luxury services like limo rides, armored car services, and private golf club fees. Kentucky does not. Our surrounding states tax 47 services; Kentucky taxes just 29. We can bring our tax structure up-to-date by closing these loopholes for luxury services.

RECLAIM LOST ESTATE TAX REVENUE

Kentucky lost $25 million a year when changes were made to the federal estate tax. This plan allows Kentucky to reclaim that revenue from estates worth more than $1 million by de-coupling Kentucky's estate tax from the federal program.

ASK CORPORATIONS TO CONTRIBUTE EQUITABLY

Kentucky's business taxes are already competitive (4th among 15 surrounding states). We'll end special tax breaks that don't contribute to a better business climate, and ask companies to help make Kentucky a great state to live and work!

IMPROVE OUR HEALTH, IMPROVE OUR SYSTEM

Other provisions would increase cigarette and tobacco taxes, stop the erosion of the state property tax rate, improve administration and compliance, and give the General Assembly a more active role in the review of tax expenditures.

HB 342 builds on the work of the Blue Ribbon Commission, giving greater emphasis to the principles of fairness and adequacy and generating more new revenue – about $570 million in all.

KENTUCKIANS FOR THE COMMONWEALTH

P.O. Box 1450 • London, Ky. 40743
info@kftc.org • www.kftc.org