

A Tax Shift Will Hurt Our Commonwealth

Talking Points

Below are some ways to communicate the facts about tax shift plans with your friends, family and elected officials.

We build thriving communities by investing in good schools, healthy families, modern infrastructure and other foundations of an economy that works for all Kentuckians. Giving away more tax breaks to powerful interests through a tax shift to a “consumption-based system” would gut investments in our Commonwealth by further reducing resources.

We know what works in Kentucky to build thriving communities: investing in our Commonwealth.

- Kentucky is a Commonwealth because when we work together, we succeed together. When we all chip in with taxes for better schools, health care, roads and more, we all benefit.
- We already spend too much on tax breaks – \$12 billion in tax breaks compared to \$10 billion in investments each year – and letting powerful interests insert more giveaways into our tax code for their own gain will further erode investments in things that benefit us all.

We face a choice: will we give more tax breaks to those at the top or protect investments in our schools, communities and our Commonwealth?

- Current discussions by the Governor and legislature indicate their brand of tax reform – actually a “tax shift” – would put tax breaks for the wealthy before the strength of the Commonwealth.
- A shift from income to sales taxes will leave us with less revenue for investments in thriving communities. Sales taxes don’t grow as well as income taxes do, meaning that even a vast sales tax expansion that initially generates new revenue will lead to even deeper underinvestment than we currently face.
- Our tax system is already upside down, meaning people with the most pay the least: today, Kentucky families in the bottom 20% by income pay 9% of their income in state and local taxes while those in the top 1% pay only 6%. Shifting to a “consumption-based system” would make it even worse: Income tax cuts mainly benefit the wealthy and sales tax increases ask more of everyone else.
- Sales taxes ask more of low to middle-income families as a share of their income than they do of the wealthy. In other words, sales taxes are “regressive,” affecting working families and people on a fixed income the most. This is especially true when it comes to sales taxes on groceries and prescription drugs, an option our leaders have said “is on the table.”

In short, a “Consumption-based” tax system won’t work for Kentucky.

- Not Fair – Asks low and middle income Kentuckians to pay for tax cuts for the wealthy.
- Not Adequate – Will not raise the revenue we need to support thriving communities.
- Not Sustainable/Reliable – “Consumption-based” revenue declines over time, limiting options for future investments

Other states that have tried the kind of tax shifting Governor Bevin wants to pursue have experienced dramatic revenue losses, not economic boom. They have had to cut investments in K-12 schools, delay much-needed road repairs and projects, and have faced multiple credit downgrades.

- Income tax cuts just don't lead to the economic growth advocates promise. It's common sense what income tax cuts lead to: less revenue for investments that benefit us all. There is no guarantee wealthy recipients would use tax breaks to hire Kentuckians, invest in a Kentucky enterprise or purchase goods in Kentucky. The revenue losses other states have experienced show that wealthy tax cut recipients save, spend or invest their money out of state. *In short, income tax cuts do not lead to economic growth.*
- Four years after Kansas began its “real live experiment” of cutting taxes for wealthy and powerful interests, the damaging consequences – including a deeply underfunded education system the Kansas Supreme Court has ruled as unconstitutionally inadequate – provides a timely warning for Kentucky: this is not a path we should go down.
- Art Laffer, the multi-millionaire architect of the disastrous Kansas tax cuts, and several of his out-of-state colleagues donated over \$200,000 to Kentucky House candidates in 2016 in an effort to affect tax reform discussions.

Hint: Make the story your own!

- “I’m a grandmother in Perry County, and I want to make sure my granddaughter and every Kentucky kid goes to a great school. But without enough funding, we’re falling behind. We need textbooks, building repairs, and money to meet obligations to teachers who spend their lives educating our people. We don’t need a “consumption-based tax system” that piles on more tax breaks for the wealthiest Kentuckians and leaves our schools with even less to do their important work.”
- “My grandpa lived in Edmonson County until he was 103. He was able to live at home with assistance from Meals on Wheels. But there are many folks who have been waiting to get meals for years. We need better funding for this program to get more people off waiting lists so they can thrive at home like my Grandpa did. You’re not going to get there by giving tax cuts to wealthy folks.”

Topline Asks for Legislators

- Will you commit to oppose any tax changes this year or during the 2018 General Assembly that shift taxes towards poor and middle class Kentuckians, give tax breaks to the wealthy and corporations, and leave us with less to invest?
- Will you commit to cleaning up expensive tax breaks for wealthy interests so that we have more revenue to invest in our Commonwealth?