

Move Kentucky Forward: Progressive State Income Tax

Imagine what Kentucky could be if we made better investments in Kentucky's schools and public services.

Even before the current economic recession, Kentucky made inadequate investments in public health, public safety, higher education, and college affordability. Our state consistently falls in the mid- to high-40s in rankings of state investments in all these sectors. This budget crisis isn't new, but it is serious. We can't afford deeper budget cuts that will further compromise our commonwealth. Adjusting our income tax rates is part of a plan for fair and sensible revenue reform in Kentucky. Together, we can move Kentucky forward through this crisis.

Kentucky's personal income tax is an important source of state revenue.

- In fiscal year 2007, Kentucky's personal income tax provided about \$3 billion, or 35%, to the General Fund.
- The personal income tax is the single largest source of General Fund revenues.

It is fair to ask a bit more of those most able to pay.

- Kentucky's overall tax system is regressive — people who earn less contribute a higher percentage of their income, while people who earn more contribute a lower percentage.
- In 2005, U.S. households in the top 1% income group received a federal tax cut averaging \$35,000, 47 times the average for the middle-income, while families in the lowest income group received a federal tax cut averaging just \$18. (Center on Budget and Policy Priorities, 2005)
- In 2003, Kentucky's wealthiest 1% received 24% of the federal tax cuts that came to our state, an average reduction of more than \$33,000. The poorest 20% of Kentuckians got an average federal tax cut of just \$51. (Citizens for Tax Justice)
- In the early 2000s, Kentucky's income gap between the richest 20% of families and the poorest 20% was 8th largest in the nation; between the richest 20% and the middle 20% was 2nd largest in the nation. (Center on Budget and Policy Priorities, January 2006)
- Public investments in schools, transportation, security, health care and economic development benefit everyone. We should all contribute fairly to move Kentucky forward.

Kentucky can do better by creating a more progressive income tax.

- Kentucky should create new rates for the wealthiest 20%, taxing income above \$75,000 at a 7% rate and income above \$90,000 at an 8% rate. All income between the poverty level and \$75,000 should be taxed at the current rate of 5.85%. (Currently, the top income bracket in Kentucky is 6% for all income earned above \$75,000.) It's about the cost of a pair of shoes.
- According to the 2008 fiscal note, these changes are projected to generate around **\$250 million in new revenue.**
- For Kentuckians earning between \$128,000 and \$289,000, this proposal would result in a tax increase of just .2% of income. For the wealthiest 1% (income above \$289,000) the average increase would amount to 1.2% of income. (Institute for Taxation & Economic Policy, 2005)

Support a Progressive Income Tax

Fair and sensible taxes to move Kentucky Forward!