

# Move Kentucky Forward: Expand Kentucky's Sales Tax

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

Even before the 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 most 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. Expanding our sales tax to selected services is part of a plan for fair and sensible revenue reform in Kentucky. Together, we can move Kentucky forward through this crisis.

## Kentucky's sales tax is an important source of revenue

- In fiscal year 2006, Kentucky's sales tax provided \$2.75 billion, or 33% of the General Fund. It's the second largest source of General Fund revenue. But our sales tax is outdated.

## Our sales tax is outdated and hasn't grown with our economy

- Our sales tax was made for a manufacturing economy of earlier last century, not a service economy like we have today. In 1979, services accounted for about 47% of consumption. By 2000, services had grown to more than 58% of consumption. The service sector is the fastest-growing sector of the economy.
- Kentucky currently taxes just 29 services out of 168 services tracked. Only 16 states tax fewer. Nationally, states tax an average of 55 services. Our surrounding states tax an average of 47 services. (Federation of Tax Administrators, *Are You Being Served?* 2005)

## Taxing select services would generate an estimated \$50-100 million a year, and would enable Kentucky to grow with the changing economy.

Kentucky should tax services like limousine rides, country club fees, golf course fees, and private security services, so that we can make stronger investments in basic opportunities for education, health care, and public safety.

## Move Kentucky Forward. Apply our sales tax to more services.

The services below are taxed in our surrounding states:		
Taxed in 2 surrounding states	Taxed in 3 surrounding states	Taxed in 4 surrounding states
armored car services, security services, window cleaning services, maintenance and janitorial services (est. revenue of \$18.8 million), extermination services (est. revenue of \$3.9 million), chartered flights with pilot	billiard parlors, bowling alleys, admission to school sport events, landscaping services, automotive waxing & washing (est. revenue of \$3.6 million), limousine service with driver, garment altering & repair, non-coin laundry & dry-cleaning (est. revenue of \$16.2 million)	membership fees in private clubs, sign construction and installation, commercial linen supply (5 states), diaper service, health clubs, tanning parlors, reducing salons, gift and package wrapping services

# Support an Expanded Sales Tax

*Fair and sensible taxes to move Kentucky Forward!*