

Expand Kentucky's Sales Tax

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

According to Governing Magazine, Kentucky ranks 50th in per capita investments in K-12 education, and we consistently fall in the mid- to high-40s in most rankings of state investments in public health, public safety, and higher education. Isn't it time to turn these familiar statistics around? Imagine what Kentucky could be if we made better investments in our children, schools, and public structures. Expanding Kentucky's sales tax to selected services is part of a plan for fair revenue reform in Kentucky. Together, we can build a stronger Kentucky.

Kentucky's sales tax is an important source of revenue

- In fiscal year 2006, Kentucky's sales tax provided \$2.7 billion, or 33% of the General Fund. It's the second largest source of General Fund revenue. But...

Our sales tax is outdated and hasn't grown with our economy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 14 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 \$55 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.

Kentucky can do better. Apply sales tax to more services.

The services below should be taxed in Kentucky, just as they 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

Tax reform that is fair, raises revenue and promotes the health and well-being of our people