



Posted on Fri, May. 29, 2009

Coalition of agencies asks for major tax reform

By Beth Musgrave
bmusgrave@herald-leader.com

FRANKFORT — A coalition of social service and nonprofit groups called on Gov. Steve Beshear Thursday to push for comprehensive tax reform as a long-term fix to the state's ongoing budget woes.

The announcement came on the same day legislative leaders said a special joint meeting of the House and Senate budget committees on June 4 will hear testimony on two tax reform bills.

Still, it remains unlikely major tax reforms will be considered during a possible special legislative session this summer. Beshear has previously said an overhaul of the state's tax system to fix a potential \$1 billion shortfall is unlikely.

On Thursday, Sen. Charlie Borders, R-Grayson, chairman of the Senate Appropriations and Revenue Committee, said the bills will be heard for informational purposes only.

Borders said he has not heard from legislative leaders or anyone in the executive branch that major tax reform is a top priority. "I don't think there is anyone that would anticipate any type of tax reform at this time," Border said.

Beshear may decide as early as Friday if the General Assembly will return this summer to deal with a potential budget shortfall. Lawmakers have been told to clear their schedules for the last half of June.

"We know we have to do something," said Rep. Bill Farmer, R-Lexington, an author of one of the tax reform bills. "Is there motivation for real reform? Not without real leadership."

The Kentucky Forward Coalition — made up of such groups as Kentuckians for The Commonwealth, Jobs with Justice, the Kentucky Education Association and the Kentucky Council of Churches — said in a conference call on Thursday that for too long Kentucky has depended on one-time Band-Aids to fix long-term budget problems.

Despite Beshear's reluctance to tackle tax reform, organizers said they hope to use grass-roots tactics to persuade legislative leaders and Beshear to make major changes in the way Kentucky raises revenue.

Sheila Schuster, director of the Advocacy Action Network, a consortium of mental health providers, said the coalition is mounting a "communication campaign around comprehensive tax reform."

More cuts to services are not an option and Kentucky's current tax system is unfair to its poorest residents, the coalition said.

"The public safety net for behavioral health services to address the needs of those with mental illness and substance abuse disorders has been chronically underfunded for years," said Schuster, "It is frustrating because we know that treatment for behavioral disorders works. But treatment only works if it is available."

Kelly Davis, of the Institute on Taxation and Economic Policy, said Kentucky's tax system is regressive — meaning low and middle-income families pay a greater share of their income in taxes than do some of the state's wealthiest citizens.

"In 2007, the poorest 20 percent of Kentucky residents (those who make less than \$8,000) paid 7.8 percent of their incomes in state and local taxes," Davis said. "The richest 1 percent — taxpayers with average income of \$933,100 in 2007 — paid 5.8 percent of their income in Kentucky taxes."

Rep. Jim Wayne, D- Louisville, and Farmer have both filed bills calling for comprehensive tax reform.

Wayne's bill would put more of the tax burden on the state's wealthier residents. Farmer's bill calls for replacing the state income tax with revenue from sales taxes. Both plans call for taxing more service-related industries.