

State's Tax Picture Bleak

By Gary Gerdemann, Peritus Public Relations, AdFed V.P. of Government Relations, 2009-2010

The numbers are staggering. The Commonwealth faces its worst budget outlook in decades. Federal stimulus money is dwindling, the Rainy Day fund is empty and revenues are projected to fall short by at least \$1 billion for the next Kentucky budget.

There is no question that members of the Kentucky Legislature discovered they had their work cut out for them when they convened on Jan. 5, 2010. There will be little, if any, federal stimulus dollars to plug the budget gaps. Taxes on alcohol and cigarettes were raised in the last session and there seems little appetite for further increases.

Governor Beshear and the leaders of the Legislature have said no major tax increases are in the offing. But, at least one bill has been prefiled calling for the state sales tax to be expanded to include services provided by advertising, public relations, marketing research, public opinion polling and related services.

The bill (BR-31), sponsored by Fayette County Republican Bill Farmer, also calls for the expansion of the sales tax to real estate agents, legal services, accounting and a wide range of other services. At the same time, the bill would repeal the state income and corporate income tax and that's why experts give this particular bill little chance of passing.

House Appropriations and Revenue Committee Chairman Rick Rand (D-Bedford) says tax increases are not likely in the coming session. All 100 state representatives and 19 of 38 state senators are up for re-election next November. And that political reality will make tax hikes difficult.

The Governor continues to promote expanded gaming to generate new revenue for the state. Beshear told the Louisville Courier-Journal in November that he is "sick and tired" of Kentuckians gambling in Indiana, Illinois, West Virginia—and soon, in Ohio. "We are educating their kids, we are building their roads, we are paying for their healthcare, and it is time we keep that money at home," Beshear told the newspaper.

Even if some type of expanded gaming passes in the coming session, revenue—estimated by some at \$200 million annually—wouldn't come soon enough to help this year's budget cycle.

While Farmer's bill may not get traction this session, it presages a coming conversation over the restructuring of the state's finances and tax policy. That conversation is definitely coming, according to state Senator Tim Shaughnessy, who spoke to the AdFed in November.

Shaughnessy, a Democrat who represents the 19th district, said there is a growing sentiment in Frankfort to look at the state's tax structure and policy. And that means looking at a tax on services. Shaughnessy urged AdFed members to not wait until a services tax is up for vote to get involved. Build relationships now.

Whether the economy improves fast enough to help Kentucky out of the budget ditch remains to be seen. But clearly the state budget will be front and center in the next couple of sessions.

WHAT YOU CAN DO:

Find out who your state senator and representative are. Go to www.lrc.ky.gov and click on "Who's My Legislator" in the left navigation. Make sure that you are registered to vote. Go online to www.elect.ky.gov/register for instructions. Pay attention to news reports. Follow political blogs of the news organizations, especially Joe Gerth at the Courier-Journal, Joe Arnold of WHAS and Ryan Alessi of the Lexington Herald-Leader.

The Kentucky Legislature convened in regular session on Jan. 5, 2010 for 60 days. The Kentucky Constitution mandates that the regular session be completed by April 15, 2010.



Make your voice heard to your state representatives, by writing to the editor of your local newspaper, posting blog entries and tweeting.

