

Talking Points

General

- **We build thriving communities with investments in good schools, healthy families, modern infrastructure and other foundations of an economy that works for all Kentuckians. Giving away more tax breaks to powerful interests would gut investments in our Commonwealth.**
- We have a choice -- we can fund the investments that create thriving communities by cleaning up special-interest tax breaks in order to raise revenue or we can continue to cut investments in education, infrastructure, pensions and other services that benefit our families, neighbors and communities.
- We deserve thriving communities. Public investments are vital to that. But when cuts are made to [insert your list of investments that help quality of life]'s budget, we all feel it. We deserve better.
- The state's tax code is out-of-date and full of special interest tax breaks. We need to clean up those breaks so that we can raise the revenue we need to secure [insert your list of investments that help quality of life]'s budget and to invest in our commonwealth.
- With state revenues deficient to meet our needs, local governments have had to pick up the slack. As the state adds or refuses to get rid of special interest tax breaks, local taxes have needed to go up.
 - Examples:
 - School districts have needed to raise property tax rates as state funding has dropped.
 - As pensions have been underfunded by the state, fire districts have needed to raise their rates.
 - Small cities have had to pass restaurant taxes as the state cuts slashed the budgets of public services and programs.

When we invest in our communities, every Kentuckians benefits

- Kentucky is a commonwealth because when we work together, we succeed together. When we all chip in with taxes for better schools, health care, roads and more, we all benefit.

Working families will harmed by the tax reform playbook Bevin is using

- Workers and working families benefit greatly from government funded programs and services, like Head Start, public transportation, food security programs, Meals on Wheels, etc., and these critical lifelines to working folks will be hardest hit by budget cuts and bad tax reform.
- When Bevin has been asked if he plans on taxing groceries and medicine, he has said that "everything is on the table." Taxing groceries is incredibly regressive and hits working families and those living on fixed incomes the hardest.

Kentucky's tax code is riddled with holes from loopholes and tax breaks for special interests

- We already spend too much on tax breaks - \$12 billion in tax breaks compared to \$10 billion in investments each year - and letting powerful interests insert more giveaways into our tax code for their own gain will further erode investments in our communities..
- Some of these tax breaks include not taxing limo rides, golf club fees, armored car services, dry cleaning, and many other luxury services that mainly benefit the wealthy.

A "Consumption-based" tax system doesn't work!

- Not Fair - Asks low and middle income Kentuckians to pay for tax cuts for the wealthy
- Not Adequate - Will not raise the amount of revenue we need to support thriving communities
- Not Sustainable - Revenues decline over time

We face a choice: will we give more tax breaks to those at the top or protect investments in our schools, communities and our Commonwealth?

- Current discussions by the Governor indicate his brand of tax reform – more aptly their brand of "tax shifting" – would put tax breaks for the wealthy before the strength of the Commonwealth.
- An income to sales tax shift (in other words, a tax cut for the wealthy) will leave us with less revenue for investments in thriving communities. Because sales taxes don't grow as well as income taxes do, even a vast

sales tax expansion that initially generates new revenue will lead to even deeper underinvestment than we currently face.

Other states that have tried the kind of tax shifting that Bevin wants to pursue have not experienced economic or job growth, but have had to cut investments in K-12 schools, delay much-needed road repairs and projects, and face multiple credit downgrades.

- Income tax cuts just don't lead to the economic growth advocates promise. The growth fairy isn't real. It's common sense what income tax cuts lead to: wealthy beneficiaries put their tax break in offshore savings or invest in Wall Street, and we all have less revenue for investments.
- Four years after Kansas began its "real live experiment" cutting taxes for wealthy and powerful interests, the damaging consequences – including a deeply underfunded education system causing school closures and teacher layoffs – provide a timely warning for Kentucky: this is not a path we should go down.
 - Art Laffer, the multi-millionaire architect of the disastrous Kansas tax cuts, and several of his out-of-state colleagues donated over \$200,000 to Kentucky House candidates in 2016 in an effort to affect tax reform discussions.
- When Tennessee eliminated their state income tax it led to a massive increase in their sales taxes. In some cities in Tennessee, the sales tax is over 12% (12 cents on every dollar). If Kentucky were to do the same thing, we would have to increase our sales tax to 14-16% to offset all the revenue lost to our state budget.

Would would happen

What are other states are doing right?

- Minnesota was able to pass a progressive tax plan. The plan included: creating a new top income tax bracket for single filers making over \$150,000 and joint filers making over \$250,000, hiking cigarette taxes from \$1.23 to \$2.83 a pack, reformulating and expanding the homeowner refund to provide homestead credits to homeowners in households earning between \$19,500 and \$105,000 in annual income. The following year Governor Dayton also expanded the refundable Working Family Credit, extending eligibility to taxpayers earning up to \$47,000. In 2017, Minnesota will have a \$1.65 billion budget surplus.

Education

- State funding cuts to education increase inequality between wealthy and poor districts and the likelihood of a school funding lawsuit.

Pensions

- **Pensions are underfunded now because we have underfunded them for years. We need to start right now funding them and to do that we should clean up special interest tax breaks that have drained revenue from the state for too long.**
- The best solution for pensions is the best solution for our budget crisis/crises more generally: clean up the tax code to generate revenue we can invest in a stronger commonwealth.
- Employees have always paid their part/share/contribution to the pensions systems; the state must also uphold promises made. Our pensions are underfunded because the state, as employer, didn't pay its share for years, not because pensions are too generous.
- Pension dollars flow back to Kentucky's local economies, injecting \$3.4 billion into our communities last year. (To find your local numbers: <http://kypolicy.org/pension-benefits-inject-3-4-billion-economies-kentucky-counties/>)

Responding to 'pensions are too generous' themes:

- We have a public pension system because it is part of the compensation package used to recruit and keep quality employees to public service. Public employees are paid less than what they could make in the private sector based on their education level, and pensions help make up some of that difference. When funded, our pension systems are an inexpensive way to attract quality employees to teach our children, keep our streets safe and keep our public services running effectively and efficiently.