

# 2024 Kentucky General Assembly

## CONTINUE EFFORTS TO CREATE A MORE COMPETITIVE, FAIR AND SIMPLIFIED TAX CODE

### OPPORTUNITY TO IMPROVE THE BUSINESS CLIMATE

Business leaders in Northern Kentucky continuously express that the tax system is too complex and compliance is too costly. Economic development experts say our tax code continues to create a competitive disadvantage because it punishes economic productivity by being overly reliant on income and production-based taxes.

In 2022, the General Assembly passed legislation to phase out the state's individual income tax through a series of revenue triggers. As a continuation of that effort, the 2023 General Assembly passed another 0.5 percent drop in the personal income tax as the state exceeded the revenue trigger. The NKY Chamber applauds the statute as it places Kentucky on a path to greater talent attraction and economic competitiveness while also ensuring revenues for critical state services are protected.

The Chamber encourages continued efforts to reduce our state's reliance on income-based taxes while guarding against taxes levied on business-to-business services. Additionally, we ask for other policy changes to make taxation more fair, simple, predictable, and transparent.

### APPROACH TO TACKLE THE ISSUE

Continue the gradual shift from income-based taxes to consumption-based taxes while guarding against taxes levied on business-to-business services that would add another layer of costs to job creation.

Support simplified, growth-oriented tax policies that improve the competitiveness of Kentucky businesses in the national and international marketplace.

Encourage greater business capital investments by improving Kentucky's current tax law prohibiting businesses to expense investments in the same year that the cost was incurred.

Maintain a competitive corporate tax rate with other states.

Clarify what business expenses qualify as cost of goods sold (COGS) with either repealing the Limited Liability Entity Tax (LLET) or aligning KY COGS definition with that of the federal government.

### WHY DOES IT MATTER TO MY BUSINESS

The tax code should be simplified with the goal of reducing compliance costs for the private sector.

Complex taxes impose costs on businesses that either reduce the return on investment or are passed on to consumers and workers.

Simple, growth-oriented tax policies improve overall competitiveness of all Kentucky businesses.

### WHAT WE ARE ASKING AN ELECTED OFFICIAL TO DO

The NKY Chamber urges the General Assembly to build on their accomplishments from 2018, 2019 and 2022 Sessions to modernize the Commonwealth's tax code and address the long-term need for comprehensive tax reform.

Consider tax changes that specifically put Kentucky on equal footing with competitor states, especially border states.

The NKY Chamber supports giving local authorities the flexibility to generate local tax revenue while ensuring the local tax code

does not negatively impact businesses. Furthermore, we support ensuring local taxes levied at the local level are collected and utilized locally. We encourage the discussion of this and other local tax issues to be included in the broader dialogue centered around tax reform and competitiveness.

State and local tax administrators should continue their efforts to streamline the tax filing, processing, collection, and enforcement processes across the Commonwealth.