Revenues for 2023 will be 22% above 2020 level
2024 will be 27% above 2020 level
Surplus one-time monies are historic

- $1.1 billion surplus last year
- Another $1.9 billion above forecast for this June
Remaining ARPA funds are another $1.1 billion opportunity

Can be used to:
- Respond to the pandemic and its negative health and economic impacts
- Provide bonus pay to essential workers
- Prevent cuts in public services caused by pandemic-induced revenue losses and avoid additional cuts
- Invest in water, sewer or broadband infrastructure

States have until Dec. 31, 2024 to obligate the funds

Use of ARPA State Fiscal Recovery Funds

- Repayment of unemployment loan: $505,731,674
- Broadband: $300,000,000
- Water and sewer: $250,000,000
- COVID in vulnerable congregate settings: $42,934,200
- Remainder to be appropriated: $1,084,571,417

Source: KyPolicy analysis of Budget of the Commonwealth.

Kentucky Center for Economic Policy | kypolicy.org
State Revenues Are Not Keeping Up With The Economy

Erosion in Kentucky's General Fund Continues

Total General Fund revenue as a share of personal income

Source: KyPolicy analysis of data from the Bureau of Economic Analysis and Office of the State Budget Director.
The 2022-24 Tax Expenditure Analysis defines tax expenditures as follows:

Tax expenditures differ from normal budget expenditures in that normal budget expenditures are explicitly appropriated on an annual or biennial basis as part of the budgetary process. Tax expenditures are approved by the legislature and then become a permanent part of a state’s tax laws until modified by future sessions of the General Assembly. As a result, tax expenditures have a tendency to become an increasingly larger part of state government expenditures without the need for explicit approval by succeeding legislatures.
The 2022-24 Tax Expenditure Report identifies almost $19 million in tax expenditures over the biennium.

Some more recent items identified in the report:
- Over $43 million for refundable credits for the film industry
- $388.8 million from the low tax rate on casino-style slot machines
- $100 million for the newly expanded historic preservation tax credit
- $23.2 million for cryptocurrency mining

This means that before the first dollar is spent on education, childcare, and other critical needs, slot machine operators, real estate developers, Hollywood production companies, and cryptocurrency miners get paid.
1979: HB 44 property tax limit

1988: Creation of aggressive corporate “incentives,” expanded in 1992 and thereafter

1995: Put exemptions in inheritance tax, exempted $35,000 in retirement income from income tax

2000: Established Tax Increment Financing (TIF)

2002: Let estate tax disappear by not decoupling

2005: Repealed corporate license tax, reduced income tax rates

2018: Cut income tax to flat tax of 5%, shifted to consumption taxes

2019: Got rid of bank franchise tax
Kentucky’s tax system asks least of those with most

### Who Pays State and Local Taxes in Kentucky

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Tax Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $17,600</td>
<td>9.3%</td>
</tr>
<tr>
<td>$17,600-$32,800</td>
<td>10.5%</td>
</tr>
<tr>
<td>$32,800-$51,000</td>
<td>11.2%</td>
</tr>
<tr>
<td>$51,000-$86,200</td>
<td>10.2%</td>
</tr>
<tr>
<td>$86,200-$169,000</td>
<td>9.7%</td>
</tr>
<tr>
<td>$169,000-$411,000</td>
<td>8.4%</td>
</tr>
<tr>
<td>$411,000 and above</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

State and local taxes as a share of income

Based on Income, the bottom 95% of Kentuckians paid more on average because in the shift from income to consumption taxes.

- The richest 5% of Kentuckians on average received a cut.
- In 2020 dollars, the richest 1% of Kentuckians, those with average incomes of $1.1 million, received an average tax cut of $6,605.