



1042 Burlington Lane, Frankfort, Kentucky 40601-8487 [www.ccky.org](http://www.ccky.org)

March 23, 2004

Senator David Williams  
President  
Capitol Annex  
Frankfort, Kentucky 40601

Representative Jody Richards  
Speaker of the House  
Capitol Annex  
Frankfort, Kentucky 40601

Gentlemen:

As the discussions continue regarding the modernization of the Kentucky tax code, it appears that there is not enough time left in this session to give this matter the attention it needs to design a just and equitable tax structure that enables every Kentuckian to pay his or her fair share and raise enough money to meet the needs of all our residents.

Kentucky's current tax structure unjustly exacts taxes from those least able to afford to pay them. In addition, discussions about the biennial budget legislation revealed that revenue available under the current tax structure is not nearly enough to meet the needs of our citizens, especially in the areas of education and healthcare.

Governor Ernie Fletcher has proposed a plan that has some merit, but demands much more debate and amending before it would meet the criteria the Catholic Conference (CCK) employs to judge that a tax system is just and equitable.

CCK questions the wisdom of moving this discussion to a conference committee where the conversation about the issue is limited to a few participants and, as sometimes happens, not subject to the rigorous oversight of the public and the press.

CCK thinks it more appropriate to table the entire matter for this session and ask the Governor to call the legislature into special session for the sole purpose of enacting legislation that really modernizes the tax code in a manner that treats everyone fairly and provides the revenue necessary to meet the most basic needs of Kentucky residents.

Whether this suggestion is heeded or not, the Conference wants to present some concerns we have about the Governor's proposal.

CCK appreciates the effort Governor Fletcher has made to bring this matter to the table. The Conference welcomes certain elements of the plan and appreciates the diversity in this proposal. This diversity can provide a broad revenue base that minimizes the effect of imperfections in any one tax. That being said, serious questions remain about how this plan will affect Kentucky's taxpayers.

Catholic social teaching holds that every person is created in the image and likeness of God. The dignity of the human person is the foundation of a moral vision for society and fundamental to Catholic social teaching. Because of this human dignity, each person has a right to shelter, food, clothing, healthcare, education, and employment.

Therefore, when judging the appropriateness of a public policy or a plan to implement public policy, the Conference asks whether that policy or plan respects the human person, honors the rights of that person, and, in general, promotes the common good. How the least among us will fare under a proposed policy or plan points to whether that policy or plan is just.

The final judgment scene in the Gospel of Matthew challenges Christian believers to feed the hungry, clothe the naked, welcome the stranger, give water to the thirsty and visit the imprisoned. This challenge applies not only to individuals, but also to religious communities, political units, and whole societies.

In the Catechism of the Catholic Church it teaches that "submission to authority and co-responsibility for the common good make it morally obligatory to pay taxes, to exercise the right to vote and to defend one's country."

It follows that the tax system must be a just and equitable system; were it otherwise, citizens would not be morally obligated to pay taxes.

Kentucky's current system already treats the least among us unfairly. The Conference appreciates that the Governor's proposal exempts from income taxes those whose incomes fall below \$12,000. However, his proposal still requires thousands of Kentuckians whose incomes are below the federal poverty standard to pay state income taxes. It is unfair and unjust to ask any citizen, especially the poorest, to bear more than their fair share of the tax burden.

The proposal is regressive and not acceptable under the principles of Catholic social teaching. The proposed income tax is not based on the ability of the taxpayer to pay, but continues to demand less of the rich than of the working poor. Further discussion is needed to develop a tax structure that is just and promotes a progressive system of taxation.

The Conference suggests that the Governor and the members of the General Assembly consider tax ideas such as those found in HB 298 and HB 299 as a starting point for this discussion.

CCK urges you to keep in mind that the State of Kentucky should seek and maintain revenues sufficient to meet the basic needs of all citizens, particularly the poor and vulnerable.

The pledge some have taken, refusing to raise taxes to increase necessary revenue, is irresponsible. By making this plan revenue neutral, the Governor's proposal does not raise the money needed to provide for our most poor and vulnerable populations: education for children, housing for homeless families, nursing home care for frail elderly, treatment programs for the addicted, rehabilitation for the imprisoned; or programs for the mentally ill.

Much has been made of growing the economy, putting people to work and attracting corporations to this state. The Conference hopes all this happens, but questions whether this is the plan that can make produce these results.

To devise a plan that will bring the desired results requires hard work and the expenditure of political capital. It will mean proposing the ideal and then compromising for less – not settling for the minimum as the current proposal does. Even if successful, this plan proposes to cap that success and grant further income tax reductions, rather than dedicate the increased revenue to meeting unmet needs.

Far better to put off a decision about tax modernization until a special session can be called to dedicate the necessary time it takes to develop a system of taxation that is not only progressive and just for all taxpayers, but also one that raises sufficient revenue to care for all residents of Kentucky and meet their basic needs.

Thank you very much for giving these comments your consideration. Attached to this letter is a set of principles we urge you to use when discussing this tax proposal now or in a special session.

Sincerely yours,

Rev. Patrick Delahanty  
Deputy Director

Cc: The Honorable Ernie Fletcher, Governor  
The Honorable Members of Senate and House Democratic and Republican Leadership  
The Honorable Senate and House Chairmen of Appropriations and Revenue Committees

Attachment: Principles of Taxation

**Catholic Conference of Kentucky**  
**Principles of Taxation, Allocation of Revenue, Contributing to the Common Good**

- 1. Spending by the State of KY should first assure that the basic needs of all people - especially those who are poor and vulnerable - are addressed as a priority before other appropriations are made.** Just as in a family's budget, spending for recreation and entertainment should come only after paying for shelter, food, clothing and other necessities.
- 2. All citizens have the right and responsibility to contribute to the common good through the payment of taxes.** The collection of taxes is an important and justifiable role of government. Taxes are an individual's contribution to the common good. In any society, the common good should be viewed of greater importance than the good of any individual or special interest group. Paying taxes is one way that citizens give something back to society.
- 3. The State of KY should seek and maintain revenues sufficient to meet the basic needs of all, especially the poor and vulnerable.** Effective stewardship of resources is always of concern to any branch of government, but even the most careful management of resources cannot overcome a fundamental lack of income. As do prudent families, the State of KY should maintain savings for periods when revenues are less than needed. Tax cuts, while popular, should result from a reduction in revenue needs, not as a result of providing favors for special interests.
- 4. Taxation in any form should be based on one's ability to pay.** If KY tax policy is to remain faithful to Catholic teachings, it should first assure that the system collects taxes according to one's ability to pay. Catholic social teaching supports a more progressive form of taxation. Our contribution to the common good should reflect our blessings. From those to whom much has been given, much should be expected. Those who make the most profit from our economic system benefit most from the structures and infrastructure that make economic enterprise possible. Tax exemptions and tax incentives should not change the fundamental requirement that taxes should be based on one's ability to pay.
- 5. All forms of taxation should be fair and just in their treatment of the poor.** Taxation can be used as an economic strategy to level income distribution in a society. Systems of taxation can also grant certain advantages to those in different income brackets. Unfortunately, such advantages are often granted on the basis of power and politics rather than on moral principles. Those who are poor should not pay a disproportionate amount of income in the sum total of taxes paid. This is especially true in the case of property and sales tax, which low- and moderate-income people tend to pay in higher percentages of their total income and are therefore considered more regressive taxes. Those who are wealthier should consider their higher tax bracket as part of their Biblical obligation to tend to the "widow and the orphan."