
CCK Testimony on Tax Reform House Appropriations and Revenue Committee February 10, 2005

The Catholic Conference of KY appreciates your taking public comment as you struggle with the revenue decisions before you. We also appreciate the practical and political hurdles you face on revenue issues...but this is a time for moral leadership, especially in meeting the needs of the poor and vulnerable.

We applaud the Administration's taking the lead and bringing a tax reform proposal to the table. We applaud the administration for:

- taking so many of Kentucky's poorest off the income tax roles, 211,000 persons. But more must be done by taking off all those whose earnings fall below the federal poverty line and indexing that in future years so all of Kentucky's poor are helped and have enough money to meet basic needs.
- closing corporate loopholes. But there should not be a corresponding reduction in the graduated corporate tax rates.
- raising the tobacco tax to .34 with increases in future years but more can be done by raising it to .75 as Representative Draud and others have proposed. But this must be part of a comprehensive tax plan that is overall progressive, and not regressive, as is the administration's overall proposal. Not only will a 75-cent tobacco tax produce more revenue, it will have a greater impact on public health, and result in added savings in future years.

Revenue should not be capped by the triggering of a reduction in the income tax rate when a certain amount of funds is collected.

More revenue is needed to meet the current needs of Kentucky's poor and vulnerable citizens and to respond to the Fox Report's finding that there will be a \$ 2+ billion shortfall in 2010.

The basic needs of people are the first responsibility of government, especially for poor and vulnerable Kentuckians. We have many warning signs of the coming harm to people. I'd like to mention 2:

1) A Medicaid shortfall with potential cuts in benefits. Those covered by Medicaid are, by definition, our most vulnerable citizens, especially children and the elderly. Health care is a moral right. It is not morally acceptable to have 118,000 children in Kentucky without health care.

2) A ravenous corrections system and a highly underfunded justice system. There are insufficient funds for lawyers who represent the poor both in civil and criminal cases. We should be fiscally smart on crime and provide additional, more cost effective alternatives to incarceration. Studies by professionals indicate this approach

also reduce recidivism, which is also a cost-savings to the Commonwealth. Increase probation systems as alternatives to incarceration, especially for non-violent offenders. Free up prison money to bolster these alternative sentencing options. Make a public policy decision to reallocate some of the \$334+ million Kentucky spends on incarceration for the treatment of those who have committed nonviolent drug crimes. Nonviolent drug crimes should be decriminalized or have substantially reduced penalties, as has been done in other states. Cal Thomas has called for this policy change. Funding for Kentucky's Community Corrections Commission should be increased substantially to be a part of bringing this about. Services for mentally ill prisoners should be increased to meet their special needs.

Tax policy should not be based on power and politics but on what is fair and just. Taxation should be based on one's ability to pay. Our contribution to the common good should reflect the amount of our blessings. "Much will be required of the person entrusted with much, and still more will be demanded of the person entrusted with more." (Lk 12: 48).

Those who are the poorest should not pay a disproportionate amount of their income in taxes relative to those with greater incomes. Now the top 1% pays just 5.5% of income for state and local taxes. While the bottom 20% of Kentuckians pay 9.6%. This is unjust.

HB 277 takes 260,000 of the poorest off of Kentucky's income tax roles and increases income taxes on those with the most income in our state. It raises real revenue. It is the best approach on the table for Kentucky's poor and vulnerable.

Corporations enjoy many Kentucky resources and services. They have the responsibility to contribute to the common good through the payment of their share of taxes. HB 276 closes corporate loopholes and does not lower corporate tax rates. HB 276 raises real revenue. It is the best approach on the table for Kentucky's poor and vulnerable.

The Judeo-Christian ethic found in both the Old and New Testaments is clear: citizens of faith have a moral responsibility to provide for others according to their talents and resources, so all those in the community have access to the basic needs that support human life for themselves and their families: shelter, food, clothing, education, health care and employment.

The chilling final judgment in the Gospel of Matthew (Mt 25:31-46) poignantly reminds us that it is our moral responsibility to feed the hungry, clothe the naked, provide drink for the thirsty, and care for the ill.

The Catholic Conference of Kentucky respectfully urges you to unbridle your moral leadership and enact a revenue law that is just, progressive and raises real, sustainable revenue for the needs of the people, to do what is right and just for the common good of our Commonwealth.