

# Kentucky Competes

## Estimated Fiscal Impact - \$millions

Proposal	FY 15 Fiscal Impact	FY 16 Fiscal Impact	Full Implementation Annual Impact
<b>Create a Tax Code that Competes for Quality Jobs</b>			
• Reduce individual income tax rates	\$0.00	(\$168.10)	(\$180.10)
• Enact a refundable Earned Income Tax Credit (EITC) at 7.5% of the federal credit	\$0.00	(\$60.75)	(\$72.75)
• Lower the top corporate income tax rate from 6.0% to 5.9%	(\$1.50)	(\$4.40)	(\$6.40)
• Phase in single factor apportionment based solely on sales for corporation income tax, over a three-year period; Change the existing cost-of-performance based formula for apportioning sales to incorporate a destination sourcing for services	(\$36.20)	(\$106.30)	(\$154.50)
• Create an angel investor tax credit for certain investments in small businesses	(\$0.50)	(\$2.50)	(\$3.00)
• Expand the state's R&D Tax Credit to human capital	(\$0.70)	(\$2.80)	(\$4.00)
• Double the New Markets Tax Credit	(\$5.00)	(\$5.00)	(\$5.00)
• Exempt inventory from state property tax (merchant's inventory, manufactured finished goods, and goods stored in warehouse)	\$0.00	(\$7.20)	(\$7.20)
• Eliminate selected negligible state property tax rates for tangible personal property, with an emphasis on classes of property subject to the "State Rate" only	\$0.00	(\$4.80)	(\$5.00)
<b>Help Kentucky's Signature Industries Thrive and Expand</b>			
• Create an income tax credit for the bourbon industry - must be reinvested in facilities and equipment	(\$2.20)	(\$8.80)	(\$13.30)
• Exempt the sales and use tax on certain equine products to support the signature equine industry - similar to all other livestock	(\$3.00)	(\$10.20)	(\$14.80)
• Exempt the sales tax on pharmaceuticals for food animals	(\$4.00)	(\$4.80)	(\$4.80)
• Phase in reduction of the 11% wholesale tax on beer, wine and distilled spirits to 10%	(\$3.30)	(\$7.90)	(\$16.00)
• Repeal the distilled spirits case sales tax	(\$0.10)	(\$0.10)	(\$0.10)
<b>Create a Healthier Kentucky Workforce to Attract Jobs</b>			
• Increase the tax rate on cigarettes to \$1.00 and increase the tax rate on other tobacco products (OTP) commensurate to the cigarette tax increase, and tax e-cigarettes at 20% of value	\$102.50	\$125.50	\$124.50
• Restore Cigarette Rolling Papers Tax	\$0.70	\$1.00	\$0.80
<b>Modernize Code to Acknowledge Changes in the Economy &amp; Technology</b>			
• Broaden the sales tax to include selected services	\$169.10	\$268.40	\$279.89
• Clarify that the sales tax is applicable to all prewritten software, regardless of method of delivery	\$1.75	\$4.00	\$5.00
• Apply sales tax and transient room taxes to entire hotel accommodation price	\$3.75	\$4.60	\$4.70
<b>Modernize Code to Acknowledge Changing Demographics and Differences with Other States</b>			
• Reduce retirement income exclusion for taxpayers with federal AGI over \$80,000 and phase it out for AGI over \$100,000	\$0.00	\$176.30	\$176.30
• Phase out the \$10 Individual Income Tax Credit	\$32.80	\$32.80	\$32.80
• Require same income tax filing status for married couples at state level as federal level	\$71.90	\$72.80	\$72.80
<b>Net Sum of General Fund Changes</b>	<b>\$326.00</b>	<b>\$291.75</b>	<b>\$209.84</b>