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Local sales taxes proposed

By Stephenie Steitzer
Post staff reporter

An amendment to the state Constitution giving local governments the ability to levy sales taxes is one of the recommendations that a task force studying local taxation will make in Frankfort today.

"It's bound to be very controversial, and it will spark a lot of debate, and that's what the role of the task force is," said State Sen. Damon Thayer, R-Georgetown, co-chairman of the task force. Details of how such a tax would work have not been specified. The earliest such an amendment could appear on the ballot is 2008.

Since September, the 18-member task force has been studying ways to modernize local taxation. The task force was convened as a result of the state tax modernization overhaul the General Assembly approved in 2005.

The task force has heard from economists, tax experts and others about what makes a good tax system, how Kentucky's local tax system compares with other states and the effect of local taxes on the economy.

From those meetings, recommendations were developed, and those will be reviewed today. The plan was to vote on the recommendations and prepare a final report, which could guide the Kentucky General Assembly in making changes to state law.

Some advocates for change have said what is needed is to fix the "one size fits all" aspect of the system and create more flexibility to reflect the size and demographics of Kentucky's 120 counties and hundreds of cities.

Governments in Northern Kentucky have long complained that state government controls too big a share of taxes and that counties and cities do not have enough ways to raise revenue.

Kenton County, for example, has struggled to figure out how to pay for a new jail.

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Kenton County Judge-Executive Ralph Drees last year considered pushing the state to allow the county to levy a sales tax but abandoned the idea because he viewed it as a long shot in the legislature.

"I just kind of gave up on it because I don't think the legislature will do anything," he said.

Drees said he wanted to offset a sales tax with a cut in the occupational tax rate.

Thayer acknowledged any recommendations the task force makes - especially a local sales tax option - will face an uphill battle in the General Assembly.

"This is going to have a very difficult time politically," he said.

Thayer said any new tax or increase in an existing tax should be offset with a cut in another tax, such as the state personal income tax.

"I believe we need deeper cuts in the personal income rate," he said.

Another recommendation the task force is expected to make is to tighten the reins on the 740 special taxing districts in the state, including fire districts and sewer districts.

As it is, many of the districts set tax rates and collect taxes independently. A preliminary version of the report dated June 23 says: "Most members on taxing district boards are appointed and not elected, so there is no accountability to voters regarding the actions of special taxing districts."

"I pushed for a recommendation that will be included in the report that special taxing districts cannot raise taxes without the vote of an elected body, like fiscal court," Thayer said.

Sanitation District No. 1 has come under fire in recent years for operating with too much revenue. The district has an annual budget of more than \$60 million.

In addition, a group of taxpayers and businessmen have sued the district over what it calls an unfair tax to handle the region's stormwater.

But Drees said the Sanitation District's budget isn't without oversight by elected officials. He and the judge-executives from Boone and Campbell counties are meeting today to approve the Sanitation District's budget for next year, he said.

"It's that way now, essentially," he said. "If they want the whole fiscal court to do it, it makes it very cumbersome."

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