

**BLUEGRASS**  
INSTITUTE

---

# **BLUEGRASS INSTITUTE: LOCAL TAX REFORM**

OCTOBER 19, 2022

Andrew V. McNeill – Visiting Policy Fellow  
Bluegrass Institute for Public Policy Solutions

---

---

## THE ISSUE SHOULDN'T PRIMARILY FOCUS ON "REVENUE"

“THERE'S NEVER ENOUGH FOR INTEREST GROUPS WHOSE MISSIONS DEPEND ON THE **GROWTH OF GOVERNMENT**”



---

# IMPORTANT FACTOR: OVERALL TAX BURDEN

## TAX BURDEN BY STATE

**TAX RATES VARY WIDELY AND DON'T ACCOUNT FOR HOW A STATE'S VARIOUS TAXES ADD UP.**

**TAX BURDEN MEASURES THE PROPORTION OF TOTAL PERSONAL INCOME (OR ECONOMIC OUTPUT) THAT RESIDENTS PAY TOWARD STATE AND LOCAL TAXES.**

	Total State Tax Burden*	National Rank	State-Local Tax Burden**	National Rank
Kentucky	8.8%	22nd	9.6%	17th
Indiana	8.4%	28th	9.3%	14th
North Carolina	8.2%	35th	9.9%	23rd
Alabama	7.4%	42nd	9.8%	20th
Tennessee	6.2%	49th	7.6%	3rd

\* Percentage of personal income. *WalletHub* "2022 Tax Burden by State"

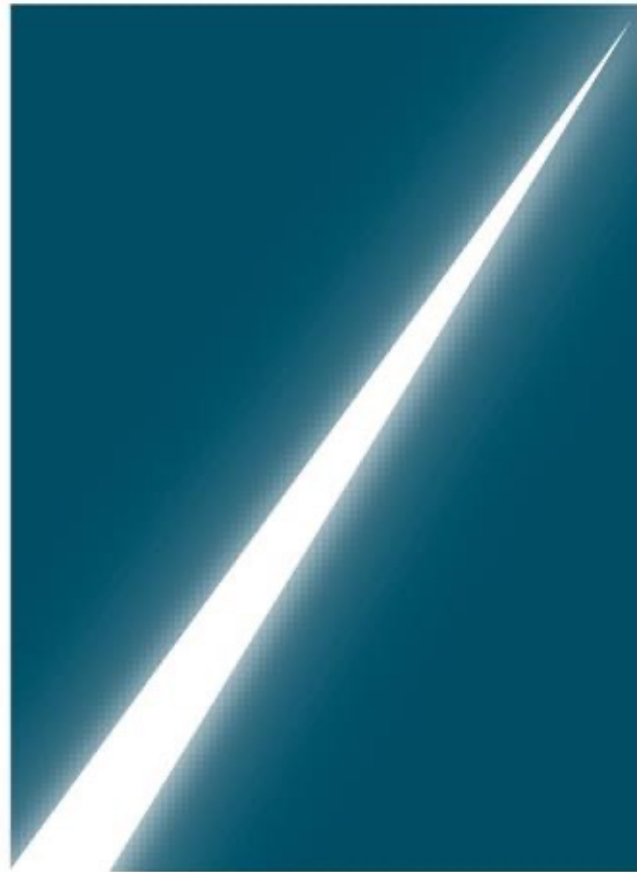
\*\* State's tax burden defined as state and local taxes paid by a state's residents divided by that state's share of net national product. *Tax Foundation* "State-Local Tax Burdens by State, 2022"

---

## 3 PRINCIPLES FOR TAX REFORM

### CHANGES TO TAX POLICY SHOULD MEET A THREE-PART TEST:

1. Are the tax changes revenue neutral -- at a minimum -- and therefore won't increase the **net tax burden** on Kentuckians?
2. Do the tax changes favor taxing consumption over income, savings and investment?
3. Do the tax changes favor individuals and entrepreneurs over narrow special interests?



**BLUEGRASS**  
INSTITUTE

---

# **BLUEGRASS INSTITUTE: LOCAL TAX REFORM**

OCTOBER 19, 2022

Andrew V. McNeill – Visiting Policy Fellow  
Bluegrass Institute for Public Policy Solutions

---