Views expressed on this page are those of the author alone and not necessarily endorsed by this newspaper.

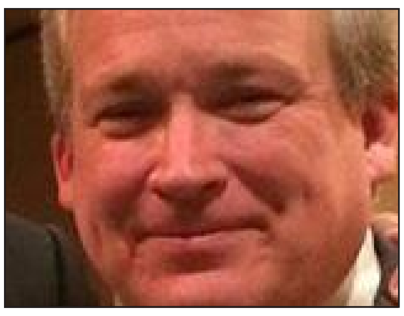
The Times Journal

OPINION

January 13, 2022

Tis The Season For True Tax Reform

By Jim Waters



This year's legislative session arrives amid a season of tax reform in other states with which Kentucky competes for economic growth.

Some of our competitor states take more deliberative approaches that offer Kentucky policymakers sound tax-cutting strategies to consider.

Indiana, for example, is in the midst of an aggressive but years-long effort which began in 2011 when its legislature lowered the state's corporate income tax rate by 0.5% annually through 2020, and then by a lesser amount in each of the past couple of years.

The result: an already strong economy now roars as the Hoosier State's corporate rate plunged from a whopping 8.5% in 2011 to its current 5.25%, and then will drop to 4.9% on July 1.

Since then-Gov. Mitch Daniels signed the law in 2011, voters have remained favorable to the long-term tax-reducing plan, sending two more gubernatorial administrations to Indianapolis who support continuing to tax productivity less and consumption more – demonstrating that bold tax policy can result in favorable political outcomes.

Such positive political results also offer momentum for other types of relief, which Indiana accomplished by passing a five-year phasedown of the individual income tax rate to its current 3.23%.

Indiana's legislature is considering a proposal to further reduce the individual rate to 3% by 2026 and slash taxes businesses pay on equipment.

By phasing down income tax rates rather than going "cold turkey" with huge, impulsively immediate cuts, Hoosier lawmakers are taking a responsible path toward comprehensive reform, ensuring spending decisions keep pace with less revenues flowing from a particular stream.

Just as important, this method recognizes that reducing burdens on society's taxpaying producers is the right way to grow government revenues, which also is the best means of filling those government-revenue gaps in the long term.

It's an approach Kentucky policymakers serious about lowering the high burden on the commonwealth's taxpayers can emulate to answer unbalanced complaints by naysayers obsessing over "lost revenues" created by cutting tax rates who rarely acknowledge the positive impact conservative economic policies have on growing government revenues.

Policies encouraging growth by taxing actual consumption rather than productivity – a proven formula for growing a state's tax base – usually result in more coins clanging into government coffers without increasing taxpayers' burdens.

Not only are such scenarios buoyed by dramatic historical examples, but there are also current developments worth noting.

North Carolina, another of Kentucky's competitor states, is enjoying record revenues being used to fund capital and infrastructure projects along with a spending list that's a progressive's dream, including increasing annual K-12 education spending to a level close to Kentucky's entire General Fund budget for a year.

Democratic Gov. Roy Cooper seems jubilant about all the spending made possible by years of fiscally conservative tax and budget policies.

These policies have proven so successful that lawmakers' latest budget includes record amounts of spending and completely phases out the corporate income tax within six years, lowers the personal rate from its current 5.25% to under 4% by 2027 and eliminates the state's income tax on military pensions.

Kentucky, too, is experiencing record surpluses and will soon get $1.1 billion from Washington by way of the American Rescue Plan Act.

What better time to get started on the Bluegrass State's own version of true tax reform (not past tax increases misleadingly marketed as pro-growth policies) than when we have $4 billion extra cash on hand?

Using one-time dollars to plug temporary short-term shortfalls resulting from lowering income tax rates seems like one of the best investments the commonwealth could make.

It would allow Kentucky to provide needed relief to its taxpayers, who carry heavier tax burdens than their counterparts in many of our competitive states have for decades, if ever.

Jim Waters is president and CEO of the Bluegrass Institute for Public Policy Solutions, Kentucky's free-market think tank. Read previous columns at www.bipps.org. He can be reached at jwaters@freedomkentucky.com and @bipps on Twitter.

Reading Proficiency Rates Rising In Some Eastern Kentucky Schools

By Sarah Durand

Kentucky's public school system has a long-standing reading crisis. About 200,000 of the state's K-12 students read at levels even lower than what the National Assessment of Educational Progress deems only partial mastery of reading. Basically, these students are very poor readers, at best.

The problem has persisted for decades with many educators and school leaders often blaming the reading difficulties on high student poverty levels in many of the commonwealth's schools.

A new report, however, from Bluegrass Institute researcher Richard Innes, "Reading proficiency rates rising in some Appalachian schools," shows that reading proficiency can be achieved despite poverty.

Using a powerful tool that compares school performance for third grade reading proficiency against the percentage of students in the school that qualify for the federal school lunch program – a proxy for poverty – the institute's report identifies some schools that produce impressively high reading performance despite high poverty.

A number of these high performing schools are found in the Clay County school system, where Goose Rock Elementary School, for one example, posted a third-grade reading proficiency rate of 89.7% in the last pre-COVID KPREP testing in 2019 despite having a school lunch eligibility rate of 85%.

Other high poverty elementary schools in Clay County also performed remarkably well in 2019. Three more schools, Hacker Elementary, Paces Creek Elementary and Burning Springs Elementary all produced 80% or higher third grade KPREP reading proficiency rates in 2019, far above the statewide average of only 52.7%. All of these Clay County schools did this despite having school lunch eligibility rates at least 10 points higher than the statewide average.

The reason behind Clay County's performance is due, in large part, to targeted support they received from the Elgin Foundation to improve reading instruction. Elgin equips schools to take advantage of programs aligned to what is now called the "Science of Reading" both for initial instruction and for remediation, when needed.

The institute's new report shows that in the early days of the Elgin program, reading performance was notably lower in Clay County. Back in 2012, Goose Rock's third grade proficiency rate for KPREP reading was only 23.1%, compared to the school's 2019 rate of 89.7%.

Report author Innes said, "The Science of Reading works. It works for high poverty schools. Clay County's schools show that."

Innes continued, "The institute's new report has great news for Kentucky. Poverty doesn't preclude the ability to learn to read. The key is that teachers need to learn how to teach reading effectively."

The message is clear: once teacher retraining happens, even schools in deep Appalachia show that Kentucky's kids don't have to be left behind in reading. It's now up to other schools around the state to learn this lesson from Clay County.

Contact Bluegrass Institute president and CEO Jim Waters at jwaters@freedomkentucky.com or @bipps on Twitter.

LETTERS TO THE EDITOR

Send your Letter to the Editor to
The Times Journal, P.O. Box 190 • Russell Springs, KY 42629
or email: editor@russellcountynewspapers.com