



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

MATTHEW G. BEVIN
GOVERNOR

VETO MESSAGE FROM THE
GOVERNOR OF THE COMMONWEALTH OF KENTUCKY
REGARDING HOUSE BILL 366 OF THE
2018 REGULAR SESSION

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I, Matthew G. Bevin, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under section 88 of the Kentucky State Constitution, do hereby veto the following:

House Bill 366 of the 2018 Regular Session of the General Assembly in its entirety.

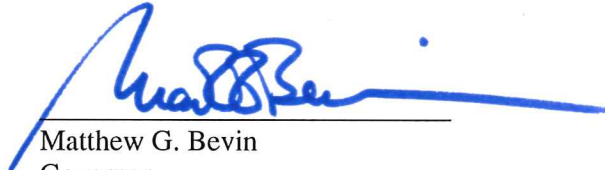
House Bill 366 contains some positive elements that should be included in a tax reform package but falls far short of needed comprehensive tax reform. While it attempts to move more toward a consumption-based approach and provides modest reductions in the income tax rates and a preferable system of calculating corporate taxes, it leaves in place several extremely bad taxes that harm Kentucky's competitiveness.

The consumption taxes contained in House Bill 366 target limited services that will disproportionately harm small businesses, while failing to provide relief from other antiquated taxes that harm small businesses. It fails to repeal the inventory tax, leaving Kentucky in the dubious position of charging a tax that nearly every other state has eliminated. The non-refundable credit against this tax created by House Bill 366 is not sufficient and causes more harm than good for certain large employers. Furthermore, it adds unnecessary complexity to the tax code. In addition to eliminating one of the key economic development tools Kentucky uses for job retention, House Bill 366 also fails to address many inequities in the tax code that currently favor government over free enterprise.

Furthermore, House Bill 366 fails to meet revenue projections. Departing from past practices, this bill was developed without input from the Office of State Budget Director (OSBD), who maintains tax data and advises the Kentucky's Consensus Forecasting Group. Analysis from the OSBD indicates an estimated shortfall of at least \$50 million over the biennium, which will compound an already unbalanced budget.

Kentucky deserves a comprehensive approach to tax reform that will lead to economic growth and higher employment, as well as one that meets revenue projections. Fortunately, we have adequate time between now and the end of the fiscal year to craft a proposal that will better meet the needs of the working men and women of the Commonwealth. I am vetoing House Bill 366, but committing to the General Assembly that my administration will provide all necessary resources to work with legislators to craft a proposal that creates the competitive tax climate our current and future citizens deserve.

This the 9th Day of April, 2018



Matthew G. Bevin
Governor