

## Principles for a State Tax and Budget System

Taxes and other sources of revenue provide the state of Kentucky with the funding it needs to pay for all services, programs, and operations. Kentucky policymakers should ensure the state's revenue system is aligned to meet the state's needs without placing unreasonable burdens on taxpayers. To do that, the state should follow commonly accepted principles, as outlined here, when making spending and revenue decisions. Kentucky Youth Advocates uses these principles to guide our analyses of state fiscal matters.

- Adequacy*      The Commonwealth must have sufficient revenues to make necessary investments that help the state progress and help all Kentuckians be self-sufficient and have the opportunity to lead prosperous lives. Tax changes should be evaluated based on the need for adequate levels of revenue and the impact on Kentucky's citizens.
- Sustainability*      Our budget and revenue-raising decisions should be made with future needs in mind. Sound budgeting requires revenues that are sustainable over time and spending decisions that support priorities for Kentucky's future. Good revenue systems are broad enough to produce relatively consistent revenue over time so the budget is not continually threatened by the ups and downs of Kentucky's economy.
- Transparency*      A good tax and budget system requires that taxpayers be informed and aware of spending and revenue decisions and the reasons for those decisions. Residents of the Commonwealth should have easy access to information about the tax structure and the state budget. Kentuckians should also be able to attain information about spending decisions and the impact of those decisions on the state.
- Fairness*      Our tax system should be fair and progressive. Tax laws should take into account taxpayers' ability to pay and should treat income the same whether it comes from wages or investments. The law should impose similar tax burdens on people in similar circumstances and minimize the burden on low-income individuals.
- Responsibility*      Kentucky state government and local governments should work together to achieve common goals. State policymakers need to consider how state tax decisions affect local government.