



March 15, 2023

To: Members of the Kentucky Senate
From: Americans for Tax Reform
Re: Support House Bill 5

Dear Senator,

On behalf of Americans for Tax Reform and our supporters across Kentucky, **I thank you for your strong commitment to taxpayers.** The pro-growth income tax relief you all have delivered in recent years will allow individual taxpayers, families, and small businesses across Kentucky to keep more of their hard-earned money at a time when they need it most.

Reducing and phasing out the income tax will also ensure Kentucky remains an attractive place to live, invest, do business, and raise a family in the economy of tomorrow. Thanks to your continued hard work, Kentucky's future will be brighter.

I encourage you to build on this historic victory for Kentuckians by supporting House Bill 5, legislation that would phase out the bourbon barrel tax over the next 17 years. HB 5 compliments your efforts to give Kentucky a glowing reputation as a pro-taxpayer, business friendly state.

Under the status quo in Kentucky, distilleries must pay taxes on aging bourbon barrels. **This tax on production is not imposed in any other state, and is only imposed on the bourbon industry in Kentucky.** Not a single other manufacturer in the Bluegrass State is forced to pay such a tax on goods that are being produced.

In 2022, this harmful tax cost distilleries more than \$39 million! **Distillers could move just across state lines to Indiana, Ohio, or Tennessee and be able to invest that money in new jobs, higher wages, and their business operations.**

This may well be a big part of why Kentucky has fallen from having 25 percent of all distilling permits across the country 10 years ago to less than 3 percent today, and is home to just 128 of the 4,450 distilled spirits licensed operations nationwide. **Kentucky's bourbon barrel tax clearly demonstrates the reasons economists and tax policy experts view production taxes as unsound policy.**

Fortunately, HB 5 would address these concerns by starting to phase out Kentucky's bourbon barrel tax in 2026 and eliminating it by 2039. **This pro-growth reform would remove Kentucky's competitive disadvantage and send a strong signal to distillers across the country that the Bluegrass State is open for business.**

HB 5 would build on your recent accomplishments and compliment your goal of making Kentucky a low tax, pro-growth state. **It would attract investment and ultimately generate new jobs, higher wages, and better opportunities, making HB 5 a huge win for all residents of Kentucky.**

ATR supports HB 5 and urges you to vote YES.

Sincerely,

Grover Norquist
President
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