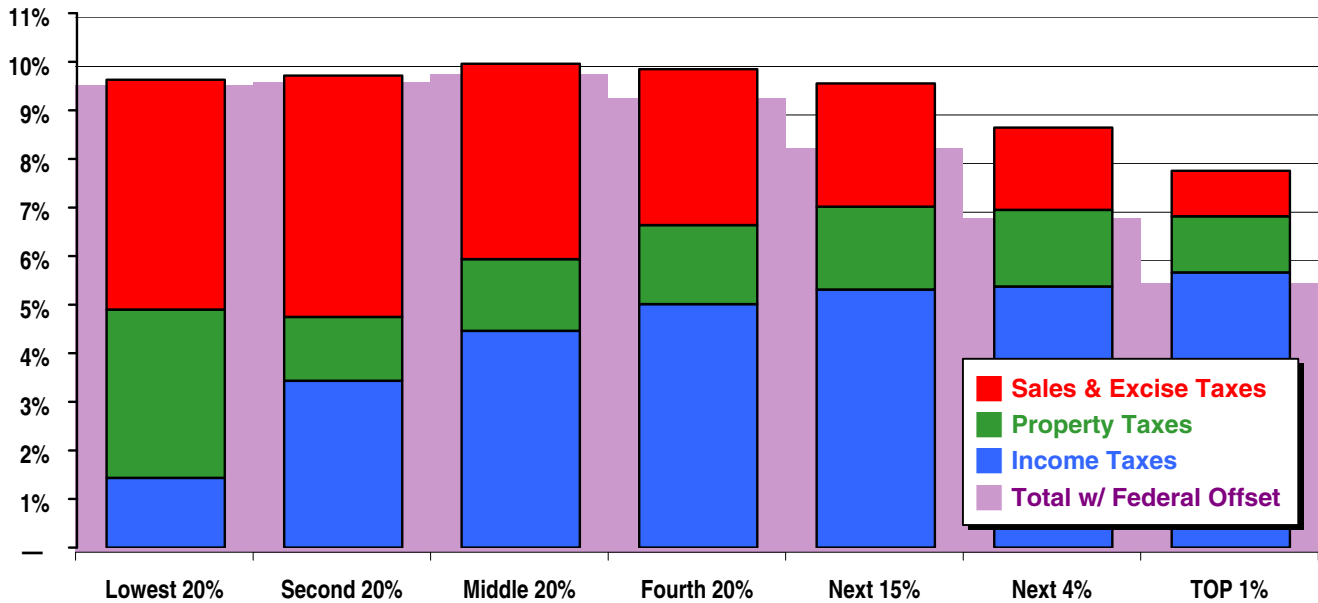


Kentucky

State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$12,000	\$12,000 – \$23,000	\$23,000 – \$38,000	\$38,000 – \$61,000	\$61,000 – \$113,000	\$113,000 – \$243,000	\$243,000 or more
Average Income in Group	\$7,400	\$17,400	\$29,400	\$47,900	\$79,400	\$150,000	\$602,400
Sales & Excise Taxes	4.7%	5.0%	4.0%	3.2%	2.5%	1.7%	0.9%
General Sales—Individuals	2.8%	2.9%	2.5%	2.0%	1.6%	1.1%	0.6%
Other Sales & Excise—Ind.	0.6%	0.7%	0.6%	0.4%	0.3%	0.2%	0.1%
Sales & Excise on Business	1.3%	1.4%	1.0%	0.8%	0.6%	0.4%	0.2%
Property Taxes	3.5%	1.3%	1.5%	1.6%	1.7%	1.6%	1.2%
Property Taxes on Families	3.4%	1.3%	1.4%	1.6%	1.6%	1.4%	0.7%
Other Property Taxes	0.1%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
Income Taxes	1.4%	3.4%	4.5%	5.0%	5.3%	5.4%	5.7%
Personal Income Tax	1.4%	3.4%	4.4%	5.0%	5.3%	5.3%	5.4%
Corporate Income Tax	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%
TOTAL TAXES	9.6%	9.7%	10.0%	9.8%	9.6%	8.6%	7.8%
Federal Deduction Offset	-0.0%	-0.0%	-0.1%	-0.5%	-1.2%	-1.8%	-2.2%
TOTAL AFTER OFFSET	9.6%	9.7%	9.8%	9.3%	8.3%	6.9%	5.5%

Note: Table shows 2002 tax law at 2000 income levels.

Kentucky Details

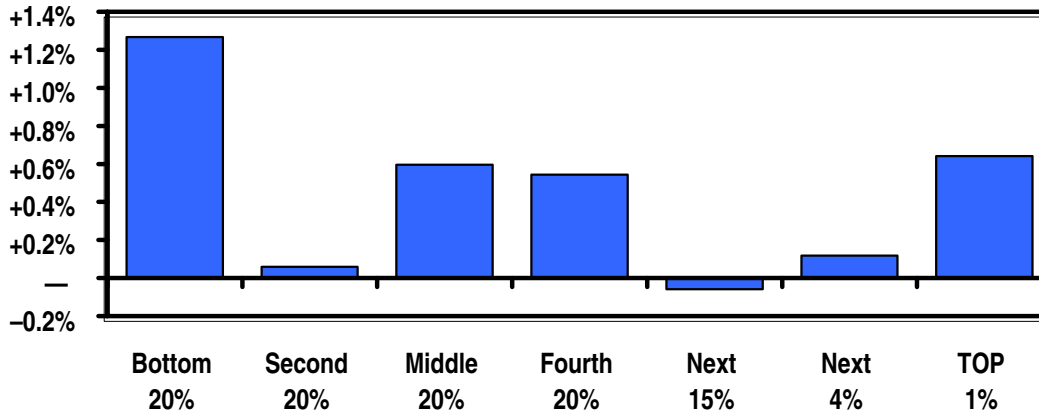
Progressive Features

- ✓ Low-income tax credit
- ✓ Sales tax exempts
- ✓ Very low cigarette tax

Regressive Features

- ✗ Virtually flat income tax
- ✗ Tax brackets, exemption credits not indexed

Changes in Tax as Share of Income, 1989 - 2002

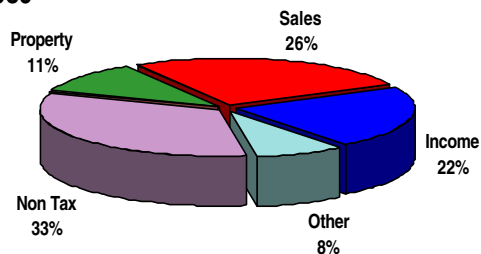


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.1%	+0.0%	+0.0%	-0.0%	-0.0%	-0.0%	+0.0%
Property	+1.6%	+0.2%	+0.4%	+0.3%	-0.1%	-0.2%	-0.1%
Income	-0.5%	-0.2%	+0.3%	+0.6%	+0.6%	+1.0%	+1.9%
Federal Offset	-0.0%	-0.0%	-0.1%	-0.3%	-0.5%	-0.7%	-1.1%
Overall Change	+1.3%	+0.1%	+0.6%	+0.5%	-0.1%	+0.1%	+0.6%

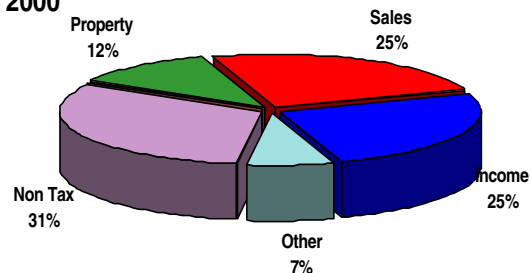
The Kentucky income tax was made more progressive by adopting the federal itemized deduction phase-out, the elimination of the federal tax deduction, the adoption of a low-income tax credit, and the expansion of the standard deduction. Sales tax changes included an expansion of the base and a 1% tax hike.

Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census