



‘Tourocrats’ tax logic, shaft taxpayers when mining for money

By Jim Waters

Tax increases usually don’t pass the logic test.

Take Gov. Ernie Fletcher’s so-called “Tax Modernization” policy. Lawmakers passed this sloppy legislation in 2005 after considerable arm-twisting. It includes the hated Alternative Minimum Tax, which taxes businesses whether or not they make a profit.

Raising taxes on businesses and entrepreneurs while at the same time campaigning about how bringing new jobs to Kentucky is a top priority just doesn’t pass the logic test.

Logic dictates not taxing those companies – at least until they make a profit. Businesses create new jobs that the state’s economic brain trust claims it wants.

But the twisted logic of this administration’s tax policies continues. Fletcher’s tax plan includes raising taxes on visitors – one cent on a dollar – who stay in Kentucky hotels and motels. This tax intends to raise more money to “market” tourist attractions. That way, more visitors come to Kentucky and, you got it – we can tax them.

Pretty sweet shell game, huh?

When I question the tax, tourism bureaucrats squint and look at me funny – like I’m speaking a foreign language. After they recover from the shock of someone challenging their pot of gold, the tax mavens respond with something about “all the other states do it.”

All this makes me think 19th-century English novelist Samuel Butler was right when he said: “No mistake is more common and more fatuous than appealing to logic in cases which are beyond her jurisdiction.”

Trying to convince Kentucky politicians and “tourocrats” that raising taxes on visitors in order to have the money to attract even more visitors is “fatuous” may very well be beyond the jurisdiction of logical saneness.

Fortunately, the massive influx of cash donated by our cherished “guests” isn’t beyond the purview of the state Auditor’s Office.

State Auditor Crit Luallen issued a report a couple of weeks ago stating that some of the money from the hotel tax gets spent inappropriately and with too-little oversight.

The 1-percent tax raised \$7.5 million during 2006 – its first year. It doubled the tourism department’s budget, which went from 33rd highest to 15th highest in the nation.

With the arrival of large amounts of cash from a new tax, logic dictates: (a) taxpayers would get corresponding return on this additional “investment” in Kentucky’s state-run tourism agency, and (b) spending guidelines would be put in place *before* the money started rolling in.

Never happened.

The tourism department budget nearly doubled in a single year, but the growth rate of tourism’s economic impact on the state during that same year was down more than 1.5 percent from 2005 and fell below the national average.

That defies logic.

Officials beg for patience – something Kentucky’s politicians rarely exercise when a tax proposal comes down the pike. These officials clamor that it takes time for such tax hikes to work. Commerce Secretary George Ward told me that hotel revenues rose 10 percent through July, compared with only 5-percent growth last year.

I almost fell for that, but recovered with a “logical moment.”

If hotel revenues rose, that means government gets more money to spend promoting “tourism” projects like the “animatronic” coalmine exhibit in Lynch. A robotic miner, a miner’s son and grandson tell the story of the evolution of mining in this Disney-like exhibit in an abandoned coal mine.

When I hear about tax revenue being spent like this, I wonder why Frankfort plays around in the tourism business at all. We’ve got great tourist attractions that people will come and see – without government coaxing them.

I’ll go into an abandoned coal mine when the Communists come to power, enslave us and force me to go. My claustrophobia would just get worse if I “toured” this attraction knowing that piles of hard-earned cash went into marketing it.

Lawmakers in Frankfort should instead consider mining for ways to cut spending and relieve the tax burden on Kentuckians – and their guests.

Jim Waters is the director of policy and communications for the Bluegrass Institute, Kentucky's free-market think tank. You can reach him at jwaters@bipps.org. You can read previously published columns at www.bipps.org.