

2023-2024

STATE POLICY AGENDA



MAKING A BETTER KENTUCKY

Introduction

Our mission at the Kentucky Association of Manufacturers (KAM) is to make a better Kentucky by promoting and growing manufacturing in the Commonwealth.

Manufacturing is the economic engine of Kentucky, producing \$38.4 billion in annual gross domestic product (GDP) - nearly 18% of Kentucky's total 2021 GDP - and directly employing approximately 260,000 Kentuckians.

A key part of our work at KAM is to strengthen Kentucky's business climate through public policy development and advocacy at the state and federal levels.

This 2023-2024 State Policy Agenda contains the top recommendations of Kentucky manufacturers to state government policymakers to ensure the Commonwealth becomes America's leading state for manufacturing.

Thank you for your consideration of these recommendations. Working together, we will make a better Kentucky.

John-Mark Hack

Board Chairman

Frank Jemley

President and CEO

Priorities



Economic Development and Competitiveness

Attracting, Developing, and Retaining a World- Class Workforce



Building a Healthy Kentucky

Energy and Environment



Maintaining and Developing Infrastructure

Economic Development and Competitiveness



To increase Kentucky's economic competitiveness and grow manufacturing jobs, the Commonwealth should:

- Continue modernizing Kentucky's tax code:
 - Eliminate sales and use taxation of repair, replacement, and spare parts for manufacturing processes to bring Kentucky in line with neighboring states, such as Ohio, to prevent the pyramiding of taxes; or clarify that the exclusion of such parts from the manufacturing supplies and new and expanded industry exemptions extend only to limited repair parts and not otherwise exempt materials, supplies, machinery, and equipment;
 - Clarify that the new sales and use tax on "prewritten computer software access services" and "marketing services" found in 2022's House Bill 8 does not pyramid taxes on manufacturers and other Kentucky businesses;
 - Improve Kentucky ad valorem property tax structure, including the taxation of inventory which puts Kentucky at a competitive disadvantage to surrounding states, through a phase-out of the inventory tax or refundable/transferable income tax credits;
 - Repeal or phase out the barrel tax on bourbon, since Kentucky is the only jurisdiction that taxes distilled spirits as they age, making it the only Kentucky product taxed during production;
 - Repeal the limited liability entity tax (LLET), which continues to lower Kentucky's business competitiveness score and discourages new investment in the state.
- Ensure a broad exemption for businesses and clear implementation standards are part of any proposal that may be considered to legalize medical marijuana.

Attracting, Developing, and Retaining a World- Class Workforce



Encourage hardworking Kentuckians and their families to stay in Kentucky and attract additional workers to the Commonwealth by:

- Continuing to implement the phased reduction of Kentucky's personal income tax enacted in 2022 to attract more workers and investment to the Commonwealth;
- Evaluating prospective state incentives to spur further development of affordable workforce housing as an important way to address Kentucky's workforce shortage;
- Increasing funding for childcare assistance; workforce development programs to bring more women into the workforce; and community-based workforce development and training opportunities;
- Increasing funding for treatment and workforce reentry strategies for Kentuckians recovering from substance abuse;
- Increasing availability and affordability of quality childcare that meets business and parent needs;
- Utilizing the Benefits Cliff Calculator, support the development of off-ramps for public assistance to help transition workers to self-sufficiency;
- Supporting the continued creation of work-based learning and certificate programs and the continued expansion of such programs in Kentucky high schools.

Building a Healthy Kentucky



The Commonwealth should help businesses maximize health care outcomes for employees and allow employers the autonomy necessary to effectively manage health care costs and outcomes by:

- Minimizing government intrusion into employer-sponsored health plans to better allow the free market to lower health care costs for businesses and families;
- Modernizing the workers' compensation disability ratings, since continued use of old data mechanisms is producing higher multiples that do not factor in significant advancements in medical treatments and outcomes;
- Reforming the Medicaid system to encourage participants to pursue employment opportunities while ensuring the benefits cliff does not prevent a person from seeking employment.

Energy and Environment



A long-term strategy for energy policy should be developed that:

- Creates a statewide energy plan that prioritizes the needs for affordable energy and for the reliability and resiliency of the Commonwealth's energy grid;
- Expands economic and tax policies and incentives to encourage the growth of, and strategy for, the production of vehicles and necessary components in the Commonwealth;
- Balances the need for environmental regulation with the need to keep product and energy costs low for Kentuckians and Kentucky businesses already struggling with inflation.

Maintaining and Developing Infrastructure



Kentucky's infrastructure needs continue to increase as our modes of transportation continue to evolve. We must be proactive in preparing for future needs by:

- Fully funding the State Road Plan using a modernized mechanism that fairly applies to all vehicle propulsion modalities;
- Developing the infrastructure and regulatory framework for the rapidly developing advanced air mobility (AAM) sector;
- Supporting the Kentucky Transportation Cabinet's EV Charging Strategy for battery electric vehicles (BEVs), corridor development for freight/commercial mobility, and the regional development of Kentucky's Hydrogen Hub;
- Promoting the use of and ensuring long-term funding sustainability for all multi-modal transportation plans significant for the movement of freight, including road, water, rail, and air;
- Ensuring that pipelines are maintained and regulated on a reasonable basis by appropriate federal and state authorities.



kam.us.com

PO Box 4029
Frankfort, KY 40604-4029

(502) 352-2485