



Member Alert

June 21, 2006

SPECIAL SESSION TO BEGIN JUNE 22

Governor Fletcher announced today that he was calling a special session of the General Assembly to begin tomorrow. The purpose of the session will be to consider emergency legislation to give tax relief for small businesses. He estimated that about 70,000 business taxpayers will benefit.

There have been constant rumors since the regular session ended in April that a special session would be called. The House and Senate were unable to agree on a tax relief plan during the regular session that ended in April. Since then, legislative leadership and the Governor's office have been working on a compromise plan. An agreement in principal was announced last week and the final details were agreed to last night.

Small business has been seeking a change in the alternative minimum tax calculations (AMC) passed in the Tax Modernization Act of 2005, the overall tax reform bill passed in the 2005 GA. The AMC is a new tax whereby many small businesses were forced to pay income tax for the first time, and in some instances, at an amount that exceeded their net incomes. There was general agreement during the regular session that the AMC went too far and should be revised, but no agreement was reached.

The Governor indicated the new agreement would revise the AMC to exempt companies with gross receipts and profits of \$3 million or less and treat taxation of net income of LLCs in the same manner as federal law. The State Budget office has projected these changes will reduce taxes on small businesses by \$45 million in the FY06-08 budget.

Only the Governor can call a special session and will also set the agenda in the official proclamation. It is expected that no other issue will be included in the call and that the session will about 1 week. The Governor can, however, amend the call at any time during the special session to consider other legislation. Some legislators have indicated that other issues – tourism, economic development and tax incentives – should also be considered.

A copy of the legislation should be available to the public on Friday.

ACTION REQUEST: *None at this time. Telecom tax laws are not expected to be impacted by this legislation.*

This is an email publication by the Kentucky Telephone Association for the benefit and information for its members and friends. Send questions and comments to [Forest M. Skaggs](mailto:Forest.M.Skaggs), Executive Director. KTA office: 851 Corporate Drive Suite 105, Lexington, KY 40503. Tel – 859/223-9001, Fax – 859/223-2601, www.ktaoffice.org.