ITEP

The MISSOURI BUDGET PROJECT

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MISSOURI "FAIR" TAX PLAN WOULD HIKE TAXES ON MIDDLE-INCOME FAMILIES

Earlier this week, a Missouri Senate Committee reviewed House Joint Resolution 36, which would eliminate the state's income tax and would expand the Missouri sales tax to apply to all consumer spending while increasing the sales tax rate by an unspecified amount. The bill also would introduce a "sales tax rebate" to offset some of the sales tax increase on Missourians. The bill is designed to be "revenue neutral," meaning that it should leave total Missouri tax collections unchanged.

But two new analyses from the Institute on Taxation and Economic Policy (ITEP) and the Missouri Budget Project (MBP) find that HJR 36, entitled the "Fair Tax Act," would impose huge tax hikes on most Missouri families, with some of the largest tax hikes reserved for middle-income families.

The ITEP report, "Assessing the Impact of Missouri's 'Fair Tax' Proposal" also finds that because of the huge costs of the proposed income tax repeal and the sales tax rebate, the combined sales tax rate on every purchase would have to increase to about 12.5 percent for HJR 36 to be revenue-neutral overall. The text of the legislation specifies a basic state tax rate of 5.11 percent but allows extra state and local sales taxes and also allows lawmakers to adjust the 5.11 percent rate for shortfalls. (Some media reports have incorrectly reported that the 5.11 percent rate would be the total statewide sales tax rate under HJR 36.)

ITEP's analysis also shows that the poorest 95 percent of the Missouri income spectrum would pay more taxes, under HJR 36. The 20 percent of Missourians in the middle of the state's income distribution would see tax hikes averaging over $2,000, or 5.5 percent of their income. Yet the wealthiest 1 percent of Missourians, with incomes averaging over $1 million, would see tax cuts averaging over $22,000. ITEP Director Matt Gardner said, "HJR 36 would dramatically shift the cost of funding public services away from the current shared responsibility between corporations, high, middle and low income families in Missouri to put these costs squarely on the backs of middle-income Missourians. When you look at the numbers honestly, it's hard to see how anyone can describe this proposal as 'fair.'"

MBP's report, "Consequences of HJR 36: Proposal to Dramatically Alter Missouri's Tax Structure Would Burden Missouri Families and Economy" found that the additional sales taxes levied under HJR 36 would especially harm Missourians living on fixed incomes because the sales tax would apply to all services including utilities, rent, medical care, food, prescription drugs, and child care. MBP also found that consumer purchasing would decrease, particularly in border areas of the state, MBP Executive Director Amy Blouin said, "In this already difficult fiscal climate, HJR 36 places Missouri at enormous risk for a significant reduction in state revenue and cuts to state services."

Read ITEP's report here: http://www.itepnet.org/mo_hjr36report.pdf
Read MBP's report here: http://www.mobudget.org/

More on ITEP and MBP

Founded in 1980, the Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization, based in Washington, DC, that focuses on federal and state tax policy. ITEP's mission is to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy. ITEP's full body of research is available at www.itepnet.org.

The mission of the Missouri Budget Project is to advance public policies that improve economic opportunities for all Missourians, particularly low and middle income families, by providing reliable and objective research, analysis and advocacy. Contact the MBP through our website at www.mobudget.org

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