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An issue likely to be debated in the 2011 Missouri Legislative Session is the proposal to replace state income tax—both individual and corporate—with a greatly expanded sales tax. Proponents of the legislation refer to it as the “fair tax,” but Missourians should think twice because it is anything but.

Missourians know that if something sounds too good to be true, it probably is. That’s exactly the case with the proposal to make a whopping change in how the state collects revenues.

Eliminating the income tax might sound great at first blush, but reality dictates that the revenue that would be lost has to be made up somewhere else. Someone has to pay. And that someone is the average Missouri family.

In fact, 95 percent of Missourians would pay considerably more in taxes under the “fair tax.” (seems kind of strange to keep calling it that; maybe the “mega sales tax” would be a more fitting name). How does that happen? It’s pretty simple. Missouri would become completely reliant on a greatly expanded sales tax.

First, the way the legislation is written, the new sales tax would apply to nearly everything that is purchased. This includes food, prescription medicine, new cars, even new homes. And it would also apply to all services, like child care, nursing homes and assisted living for seniors, doctor’s office visits, legal counseling, and financial services, and much, much more—even funerals. No other state taxes services to that extent. Rather than attracting businesses to Missouri, we’d be encouraging people who live here to buy someplace else—practically pushing them across the border.

Second, the rate of sales tax people pay would have to go up too—a lot. That increase would be for things now taxable and the new items. How much? [The Missouri Budget Project](#) working in partnership with the [Institute on Taxation and Economic Policy](#) calculated that sales taxes would need to be increased to 11 percent. Yes, the legislation itself says 5 to 7 percent (compared to the 4.225 percent people pay now), but that understates how much money the state would have to collect.

Ours isn't the only analysis that parts company with what the legislation contends to be the rate. The nonpartisan [Missouri Joint Committee on Tax Policy's](#) research says the state sales tax rate would be at least 10 percent depending on which version of the legislation is analyzed. These estimates don't even include the local sales tax rate, which would add an additional 2 percent. But, shhh.... fair tax supporters don't want you to know that.

It is clear who would bear the brunt of that increased tax rate. Middle-income Missourians (including most seniors) would be hit the hardest because they have to spend a higher portion of their incomes on essential products and services.

Supporters of this radical proposal like to point out that there are other states that exist without income tax. That's true. But those states collect much more revenue from things like tourism or oil and mineral extraction taxes than Missouri could. No state has a system like what's proposed for Missouri. There's no comparison to assess the economic ramifications.

We do know for sure, though, that Missouri's sales tax rate would go up dramatically. And we know that about 70 percent of our population lives in easy proximity to other states. Those states would all have considerably lower sales tax rates and apply the tax to fewer services. The so-called fair tax would boost economic development all right—for Kansas, Illinois, Iowa, Oklahoma and Arkansas; every state but Missouri.

No tax structure is perfect, and Missouri's definitely needs some reforms. But not the fair tax; it's a flawed concept that threatens Missouri's well being. It raises taxes on middle-income households and gives the wealthiest the biggest breaks. Let's look at other, tested and proven effective ways to update the state income tax.

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*Amy Blouin is the Executive Director of the [Missouri Budget Project](#), an organization dedicated to advance public policies that improve economic opportunities for all Missourians – particularly low and middle-income families – by providing reliable and objective research, public education and advocacy.*

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EDITORS NOTE: We have been experiencing problems with out comment application. The following two comments did not properly appear:

Does Ms. Blouin ignore the fact that Missouri just approve a Constitutional Amendment that forbids sales taxes on homes? And, it's quite interesting that all of her information is anecdotal and NONE of her links work. Please ask her to provide links to studies that support the figures she cites... ..especially the 95% of Missourians paying more taxes and 70% live within easy proximity to other states. I live in Jackson w/in 15 miles of Illinois and I certainly wouldn't drive over there for a gallon of milk or a washer and dryer.

11/18/2010 9:39:09 AM Brian Bollman, Jackson, Missouri