

Switching reliance to sales tax is a bad idea for Missouri

By Amy Blouin, Special to the Beacon

Posted 6 a.m. Fri., 02.05.10 - Missouri lawmakers are considering proposals that would make dramatic changes in the state's revenue structure by eliminating individual and corporate income taxes and replacing them with a greatly expanded sales tax. Four bills that would make this change have been introduced in the Legislature: including House Joint Resolution [\(HJR\) 56](#) , [HJR 71](#) and Senate Joint Resolutions [\(SJR\) 29](#) and [SJR 37](#) .

The bills claim to be able to eliminate the current Missouri sales tax and individual and corporate income taxes and replace them with a modest 5.11 percent statewide sales tax. If this sounds too good to be true, it is.

A recent analysis by the Institute on Taxation and Economic Policy found that the sales tax would need to be increased to at least 11 percent to be able to make up for the costs of the bill. Further, the change would result in a significant tax increase for 95 percent of Missourians, but the increase would not result in any new investments in state services or infrastructure because the plan is revenue neutral. Only the top 5 percent of income earners in the state would see a decline in taxes.

There are several additional critical facts and uncertainties Missourians should be aware of in these proposals.

ANOTHER POINT OF VIEW

To read a Voices article in support of the idea behind the tax change, click [here](#) .

To make up for the costs of the proposals, both the statewide sales tax rate (how much we pay) and the sales tax base (what we pay taxes on) would increase. The expanded sales tax would apply to virtually everything Missouri consumers buy. Most goods and services, including those not currently taxed, would become eligible for the newly increased sales tax, including: nursing home care, doctor's office visits, services for children with autism, child care services, purchases of new homes, funerals, food and prescription drugs, legal counseling and financial services, private K-12 school tuition and much more.

Only higher education tuition and fees are specifically exempted for consumers from the new sales tax. If additional goods and services are exempted, the sales tax rate would need to go even higher to cover the cost of the exemption.

The proposal is untested and could have very dire consequences for Missouri families and the Missouri economy. The cost of living in Missouri would increase dramatically because Missourians would be forced to pay considerably more to access the basic products and services that keep families healthy and allow them to be productive.

Finally, it is critical to note that no other state taxes services as broadly as Missouri would under these proposals. While a few states do not have an income tax, none has in place a system like the one being proposed for Missouri. Unlike the other states currently operating without an income tax, Missouri does not collect significant revenue from tourism or oil and coal severance fees. There simply is no comparison for Missouri to use to assess this proposal. It is untested.

During these difficult economic times, it is especially risky for Missouri to rely solely on sales tax revenue to meet state budgetary needs. These proposals would shift the responsibility for funding state services and infrastructure, which benefit all Missourians, from a system that that relies on the shared responsibility of individuals and businesses, to a system that relies entirely on individuals.

We agree that Missouri needs to have a thoughtful policy dialogue on the state's tax policy structure. The state has faced budget struggles for far too long and our current tax structure is outdated. However, it is clear that this proposal is not the answer. It would do more harm than good.

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