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FOR IMMEDIATE RELEASE
April 16, 2009

MO HOUSE PASSES BILL THAT COULD DISPROPORTIONATELY SHIFT TAX BURDEN TO LOW INCOME FAMILIES

St. Louis, MO - Today, the Missouri House of Representatives passed HJR 36, a constitutional amendment which proposes dramatic changes to the state's revenue structure by eliminating the individual and corporate income taxes and replacing them with a greatly expanded sales tax. If passed by the State Senate and then approved by voters, this shift could place an added tax burden on low income Missourians and may not provide the state with an adequate revenue base.

To offset the loss of revenue resulting from eliminating the income tax, HJR36 expands the sales tax base to include many services. A few of the services that would become taxable include: apartment rent, domestic utilities/telephone service, medical care/health insurance, nursing home services, and funeral services. The sales tax rate would also need to be greatly increased.

One major concern for a state revenue system based primarily on a sales tax is that it would place a disproportionate burden on lower income families. HJR 36 attempts to redress this by allowing a "rebate" for low-income Missourians' spending on necessities. However, the rebate allowance is based on the Federal Poverty Level (FPL), which may not adequately measure what a typical family pays for necessities.

Additionally, the revenue needed to pay for this rebate is estimated to be between \$3.1 billion and \$7.5 billion according to the current fiscal note. This revenue must be generated by the expanded sales tax, in addition to the revenue needed to replace the income taxes.

Another concern is that HJR36 is designed to be "revenue neutral" with a sales tax rate of 5.11 percent. Based on data contained in the official fiscal note, it is clear that this rate is much too low. The fiscal note estimates the total new revenue from HJR 36 at the 5.11 percent tax rate to be \$6,785 million, which is well short of the needed revenue when the rebates are included.

"This legislation would bring about seismic change in our state's tax policy, but there are many concerns which have not been studied and addressed," said Amy Blouin, Executive Director of the Missouri Budget Project. "It is irresponsible of our legislators to move forward with this major shift in how our state services are funded, especially

during these difficult economic times, without considering the impacts it could have on our state, and on low income Missourians.”

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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, public education and advocacy. More information is available at www.mobudget.org.