



For more information:
Amy Blouin, Executive Director,
314-518-8867, or
Traci Gleason, Director of Communications & Public Engagement, 816-872-8133

*For Immediate Release:
February 9, 2011*

Broad Range of Groups Say Mega Tax is Unwise Policy
House Tax Reform Committee Should Vote “No” on Risky Proposal

This morning, the House Committee on Tax Reform will hear HJR 8, which proposes a constitutional amendment to eliminate the state’s individual and corporate income tax and replace it with a greatly expanded sales tax. This “mega sales tax” is unwise public policy, and the committee should reject this risky experiment.

In order to make up for the revenue lost from the income tax, sales taxes would be applied to a much broader range of goods AND services than are currently taxed. “Missourians should not be fooled by this ‘wolf in sheep’s clothing.’ This is not the current sales tax, but a sales tax unlike any other, anywhere. If we think that accessing services is expensive today, it’s nothing compared to what the cost of a dental visit, doctor’s office visit or prescription medications would be under this proposal,” said Andrea Routh, Executive Director of the Missouri Health Advocacy Alliance.

In addition to being applied to such a broad range of goods and services, the tax rate itself would be much higher. Under the proposal, the sales tax rate may be as high as 12.25 percent for the state sales tax, plus 2.75 percent local sales tax, depending on what exemptions are included.

Craig Eichelman, Senior State Director of AARP Missouri, expressed his concern about the proposal, saying “In terms of older citizens and particularly seniors with fixed incomes, this proposal would create excessive burdens because vital products and services for seniors could be subject to the tax including prescription medications, assisted living and nursing home care. Even if these items received a special exemption, the cost on everything else, including food, would have to be even higher.”

The vast majority of Missourians would pay more in taxes under the proposal. A 2010 analysis by the Missouri Budget Project and the Institute on Taxation & Economic Policy found that even with a prebate to every household to lessen the impact of the increased tax, 95 percent of Missourians would actually pay more under this plan than they currently do, making it even more difficult for families to make ends meet. “The added tax for things like doctor’s office visits and child care will make it increasingly difficult, if not impossible, for parents who are already struggling to meet their kids’ basic needs. It’s sometimes called the ‘choice tax’, but caring for our children shouldn’t be a ‘choice,’” said Jeremy LaFaver, Director of Public Policy for the Partnership for Children.

Because the tax rates called for in the proposal will be insufficient to replace current revenue, depending on the tax rate and exemptions, the state could see a shortfall of more than \$3 billion, causing devastating budget cuts. “Although surely not intended by its backers, the mega-sales tax would shift more of the tax

burden to the poor and result in major funding cuts to vital state services that assist some of Missouri's most vulnerable citizens," said Mike Hoey, Executive Director of the Missouri Catholic Conference.

Cuts to education, health care, services for seniors, and the infrastructure that makes Missouri a desirable place to live and work will have a tremendous impact on the state and its future. Brent Ghan, Chief Communications Officer for the Missouri School Boards Association said, "We are extremely concerned that the so-called "Fair Tax" would have a negative impact on already depleted state revenue and would in turn threaten the future of funding for our public schools."

Education is critical to economic development efforts and the ability to attract jobs to the state. As Dee Ann Aull, Director of Programs and Public Relations for the Missouri National Education Association said, "Every school district throughout Missouri, every PTA and every School Board should be very concerned about the impact that this proposal would have on Missouri's ability to provide a comprehensive, quality education. Funding for education would be severely compromised under this plan, weakening further the foundation of our economy."

In addition, the proposal will likely have a detrimental impact on local economies in Missouri. Said Dan Ross, Executive Director of the Missouri Municipal League, "Missouri cities are very concerned that the implementation of the measure would drive retail sales across state lines and further exacerbate tax revenue lost to Internet sales. Further, it is the city's responsibility to provide essential services to its residents and this proposal could put that in jeopardy."

If passed, the constitutional amendment proposed in HJR 8 would go before voters in November 2012. "A constitutional amendment would lock in a policy based on untested economic theories," said Amy Blouin, Executive Director of the Missouri Budget Project. "Missouri should not risk its future on an ideological experiment."

- 30 -

*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.*