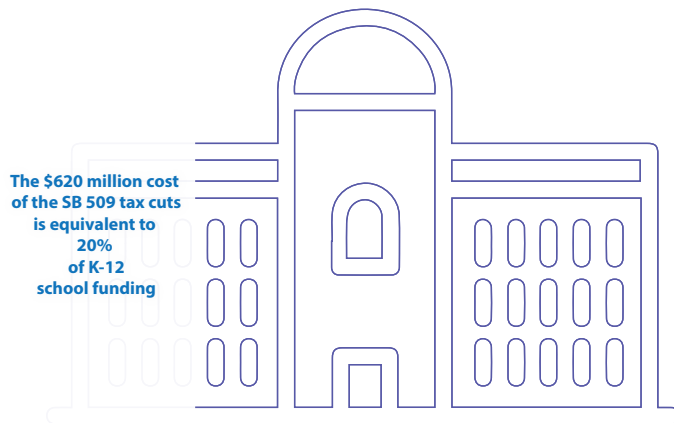


Hardworking Missouri families know that every penny counts. They huddle around the kitchen table late at night to figure out how to pay for college or save up the last bit they need to buy the family home. They might even take on a second job to make ends meet.

Missouri is also struggling to pay its bills: K-12 education, needed health care for seniors, road and bridge maintenance. But between 1993 and 2013 state lawmakers passed twenty different special interest tax cuts that combined cost \$1 billion per year. And they keep passing more.

It's time for our state to show the same responsibility that Missourians do every day.

Roll back ineffective and irresponsible business income tax deductions that Missouri can't afford.



- Already, \$151 million has been blocked from the state's current budget, and about \$300 million more in cuts are likely due to lower than anticipated state revenue. Much of the decline in revenue is attributed to legislative changes in how corporate taxes are calculated.
- Tax cuts from Senate Bill 509, which passed in 2014 but have not yet gone into effect, will further jeopardize Missouri's ability to invest in education, health,

and infrastructure. When fully implemented, the cuts will cost at least \$620 million per year, the equivalent of about one-fifth of state funding for local schools.

- Senate Bill 509 cuts the top rate for individual income tax from 6 to 5.5 percent, but also provides a 25 percent deduction to business income that is paid through the individual income tax.
- Tax analysts across the political spectrum agree that the type of business income deduction included in Senate Bill 509 simply encourages tax avoidance by giving certain businesses an unfair tax advantage, and it does nothing to stimulate economic growth.
- To see the evidence, one can look to Kansas, where the first year of tax cuts alone cut more from the Kansas state budget than the great recession. Since then Kansas has made nine rounds of budget cuts, built up record-high levels of debt and had three downgrades in their credit rating.¹

The Bottom Line: Given Missouri's ongoing struggle to fund schools, public health and safety, and transportation, lawmakers should roll back at least some of these tax cuts before they take effect. In particular, the business income deduction should be reversed.

Notes

1. Rise Up Kansas,” Kansas Center for Economic Growth, November 2016, available at: <http://realprosperityks.com/rise-up-kansas2/>
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