

Sales Taxes on Groceries & the Importance of a Refundable EITC

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A state Earned Income Tax Credit (EITC), like the recently proposed Missouri Working Families Credit, could benefit as many as 515,000 working families with modest wages, providing hardworking families the ability to achieve a better future and a pathway to the middle class. By making the credit refundable, like the federal EITC and most other state credits, Missouri can maximize its benefit, reducing the amount of state income and sales taxes paid by working families with low wages, thereby helping those families afford the basics like groceries and child care.

The federal Earned Income Tax Credit (EITC) has long provided hardworking families the ability to achieve a better future and a pathway to the middle class. The structure of the EITC provides a modest boost in income to working families, encouraging and supporting work. Though most families receive the EITC only temporarily, it has profound long-term benefits for families and communities, including increased educational, economic and health outcomes.

Building on the demonstrated success of the federal credit, 29 states and the District of Columbia have created state EITCs that offer a credit towards state and local taxes for workers with low wages, including several of Missouri's neighbors: Kansas, Iowa, Illinois and Oklahoma.

The federal EITC is refundable in recognition that working families pay a significant portion of their income through various taxes. In fact, in Missouri, lower-income families pay a significantly higher percentage of their income in state and local taxes than higher-income families.

A refundable EITC/Missouri Working Families Credit is particularly important in Missouri because basics like groceries are subject to state and local sales taxes. Under a nonrefundable credit, a working family could make too little to pay state income tax and not receive the credit, but still contribute a significant portion of their income in sales taxes. Research from the Institute on Taxation and Economic Policy demonstrates that Missouri families with

incomes of \$33,000 or less pay a full 5.1% or more of their income in state and local sales tax.²

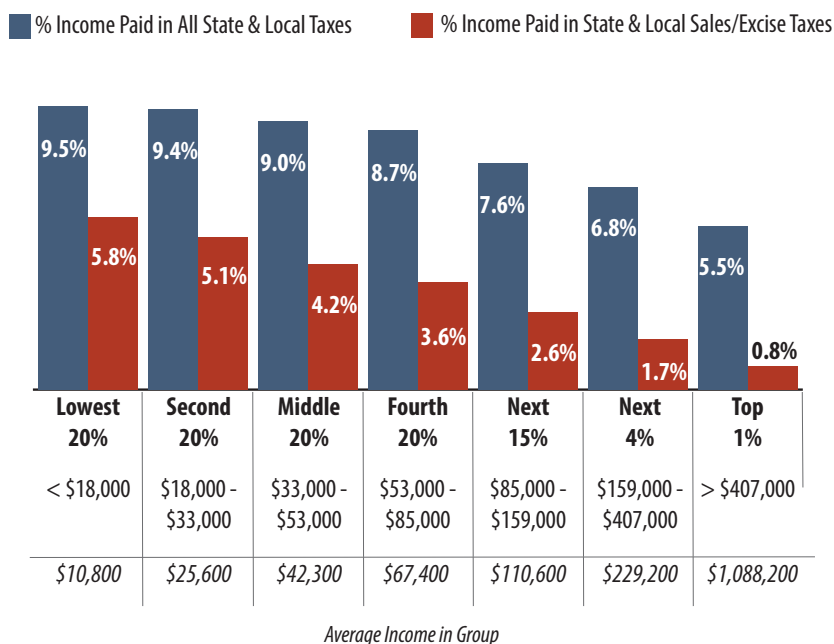
- Although Missouri eliminated the state general revenue sales tax on groceries, the state continues to apply state earmarked sales taxes of 1.225% to food.³

- In addition, most municipalities add city and county sales tax to this amount. In some cases, special

taxing districts (like ambulance and fire districts) increase the sales tax rate further.

- Because of this “stacking” of sales taxes, the combined sales tax rate on groceries ranges from a low of 1.725% in St. Clair County to a high of 7.975% in Belton.⁴

Lower-Income Missourians Pay Higher Portions of Income in State & Local Taxes, Including Sales Taxes, Than Higher-Income Counterparts¹



Income Group	Average Income in Group
Lowest 20%	\$10,800
Second 20%	\$25,600
Middle 20%	\$42,300
Fourth 20%	\$67,400
Next 15%	\$110,600
Next 4%	\$229,200
Top 1%	\$1,088,200

This can make it much more difficult for families who are working for low wages to afford groceries.

According to the USDA, an average family of four spends \$644.50 per month on groceries under the “thrifty meal plan.”⁵ In Belton, that family would pay \$51 per month, \$616 per year, in state and local sales taxes on those groceries. **Over the course of the year, the amount spent on sales tax on groceries alone would be nearly the equivalent of a full month’s worth of groceries.**

By making the Missouri Working Families Credit refundable, lawmakers can offset the cost of sales taxes on basic like groceries for families who are working for low wages, and more effectively encourage work by making sure that families can afford necessities.

The table, below, provides examples of the impact of state and local sales tax on groceries in areas across Missouri.

Impact of Missouri’s State & Local Sales Tax on Groceries for a Family of Four⁶

State Senate District	City, County	Combined State & Local Sales Tax Rate on Groceries ⁷	Annual Sales Tax Paid on Groceries
1	Affton <i>St. Louis County</i>	5.225%	\$404
2	Lake St. Louis <i>St. Charles County</i>	4.850%	\$375
3	Farmington <i>St. Francois County</i>	6.350%	\$491
4	St. Louis City	5.891%*	\$455
5	St. Louis City	5.891%*	\$455
6	Jefferson City <i>Cole County</i>	4.725%	\$365
7	Kansas City <i>Jackson County</i>	5.600%*	\$433
8	Lee’s Summit <i>Jackson County</i>	4.850%	\$375
9	Kansas City <i>Jackson County</i>	5.600%*	\$433
10	Fulton <i>Callaway County</i>	5.725%	\$442
11	Independence <i>Clay County</i>	4.725%*	\$365
12	Cosby <i>Andrew County</i>	3.425%	\$264
13	Bellefontaine Neighbors <i>St. Louis County</i>	4.725%	\$365
14	University City <i>St. Louis County</i>	5.725%*	\$442
15	Manchester <i>St. Louis County</i>	5.475%*	\$423
16	Rolla <i>Phelps County</i>	4.600%*	\$355
17	Gladstone <i>Clay County</i>	4.975%*	\$384

18	Hannibal <i>Marion County</i>	5.350%*	\$413
19	Columbia <i>Boone County</i>	5.475%*	\$423
20	Nixa <i>Christian County</i>	4.475%*	\$346
21	Warrensburg <i>Johnson County</i>	5.350%*	\$413
22	Imperial <i>Jefferson County</i>	3.600%*	\$278
23	Weldon Spring <i>St. Charles County</i>	2.850%*	\$220
24	Ladue <i>St. Louis County</i>	5.475%*	\$423
25	Poplar Bluff <i>Butler County</i>	4.725%*	\$365
26	Sullivan <i>Franklin County</i>	5.475%*	\$423
27	Cape Girardeau <i>Cape Girardeau County</i>	4.975%*	\$384
28	Buffalo <i>Dallas County</i>	4.725%	\$365
29	Cassville <i>Barry County</i>	5.600%	\$433
30	Springfield <i>Greene County</i>	4.600%*	\$355
31	Lamar <i>Barton County</i>	4.725%	\$365
32	Joplin <i>Newton County</i>	4.975%*	\$384
33	Rogersville <i>Greene County</i>	4.725%*	\$365
34	St. Joseph <i>Buchanan County</i>	5.700%*	\$440

*Some taxing districts within the city have higher rates than the one represented here

NOTES

- 1 Institute on Taxation & Economic Policy, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, Fifth Edition," January 2015
- 2 IBID #1
- 3 Missouri's earmarked statewide sales taxes include the Conservation (0.125%), Education/Prop C (1.0 percent), and Parks/Soils (0.10 percent) sales taxes.
- 4 Missouri Department of Revenue, Taxation Division, Sales and Use Tax Rate Tables, January 2018
- 5 Based on the Thrifty Food Plan as contained in the "Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average," January 2018;
<https://www.cnpp.usda.gov/sites/default/files/CostofFoodJan2018.pdf>
- 6 IBID #5
- 7 Missouri Department of Revenue, Taxation Division, Sales and Use Tax Rate Tables, January 2018