



Pending & Proposed Tax Changes Would Cost Missouri Over \$1 Billion Annually

Also Heavily Weighted to Benefit the Wealthiest

In July, Governor Parson announced his intent to call a special legislative session regarding the state income tax. While Missouri is fortunate to have significant budget reserves at this time, this position is largely the result of extraordinary, one-time federal funding.

Further, lawmakers recently approved income tax cuts that have not yet been fully implemented. **Those pending cuts will reduce state general revenue by \$669 million per year when fully implemented.** Approving additional tax changes, as suggested by the Governor, **would raise that cost to well over \$1 billion annually.**

Pending Tax Changes Will Cost More Than \$670 Million Annually

Between 2014 and 2021, lawmakers approved multiple changes to the state income tax, including Senate Bill 509 (2014), House Bill 2540 (2018), Senate Bill 884 (2018), and Senate Bill 153 (2021). The bills included several provisions related to individual and corporate income tax. Taken together they:

- Decreased the corporate income tax rate from 6.25 to 4 percent,
- Created a 20% business income deduction for LLCs and other pass-through entities, and
- Reduced the top rate of individual income tax from 6 to 4.8 percent.

The change to the top rate of individual income tax is being phased in over several years, depending on revenue targets being met. Missouri has already dropped the top rate from 6% to 5.3%, but several steps remain.

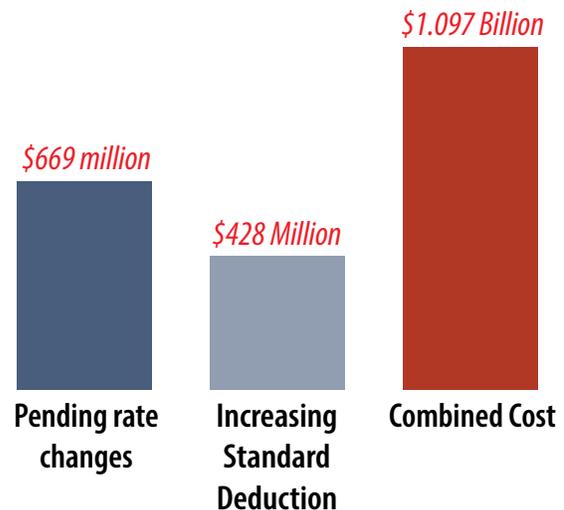
Not including other provisions such as the LLC exemption, **the remaining reductions in the top rate of individual income tax alone will reduce state general revenue by \$669 million per year when fully implemented.**

Increasing the Standard Deduction Would Cost an Additional \$428 Million Per Year

The Governor has not publicly released details of his tax proposal. Based on news reports, he has suggested increasing the standard deduction from the current level of \$12,950 single/\$25,900 married joint filers to \$16,000 single/\$32,000 married joint filers. **This change would reduce state general revenue by an additional \$428 million per year.**

Annual Cost of Pending Rate Changes and Proposed Increase to Standard Deduction

Other Pending Provisions Not Included in Cost Estimate



Source: Institute on Taxation and Economic Policy, August 2022

Together, the previously approved, pending rate changes combined with the proposed increase in the standard deduction would reduce state general revenue by \$1.097 billion per year.

This decrease in state general revenue coupled with the loss of one-time federal funds would make it extremely difficult for lawmakers to fully fund schools, public safety, healthcare, and other critical needs.

Impact by Income

In addition to reducing Missouri’s ability to fund critical public services, the tax changes are heavily weighted to benefit the wealthiest.

- The policies would do little to address recent increases in property taxes or higher sales taxes resulting from inflation, both of which have had disproportionate impacts on working families and seniors with fixed incomes.
- While the change to the standard deduction is more equitable, it pales in comparison to the weight of the income tax rate changes.
- When combined, the wealthiest 1% of Missourians would see an average cut of \$6,030, while the lowest income Missourians would receive just \$13.

Missouri Pending and Proposed Tax Changes Heavily Weighted to Benefit the Wealthiest

2022 Income	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less than \$22,000	\$22,000 - \$40,000	\$40,000 - \$66,000	\$66,000 - \$110,000	\$110,000 - \$229,000	\$229,000 - \$552,000	More than \$552,000
Average Income	\$13,000	\$30,000	\$52,000	\$86,000	\$152,000	\$332,000	\$1,581,000
Impact of reducing top rate from 5.3 to 4.8%							
Average Tax Change	-0	-14	-72	-172	-456	-1,143	-5,975
Impact of new \$16,000 single / \$32,000 married joint filers standard deduction							
Average Tax Change	-13	-70	-157	-241	-274	-173	-55
Combined Impact							
Average Tax Change	-13	-84	-229	-413	-730	-1,316	-6,030

Source: Institute on Taxation and Economic Policy, August 2022