How Missouri Taxes & Revenue Compare to Other States

A number of tax changes made over the last three decades have resulted in an inadequate, upside-down tax system where low- and middle-income Missourians pay a higher share of their income in taxes than the richest Missourians, and out-of-state corporations pay less than their fair share for public services. This structure shifts the cost to hardworking Missouri families just trying to make ends meet and deprives our state of the revenue needed to support thriving communities, help families succeed, and promote Missourians’ way of life.

The following pages illustrate how Missouri’s tax structure compares to other states, including our neighbors, and how it shortchanges Missourians.

Missouri Invests Less In Its People Than Nearly All Other States

Our state tax revenue helps pay for teacher salaries, supports adoptive and foster care families so that kids can grow in safe and loving environments, increases access to mental health services for those that need them, and provides for safe and thriving communities. Yet only two states in the nation collect less state revenue per capita than Missouri.¹

Federal funds also help pay state services. But even including both state and federal funds, only five states spend less per capita.²

Missouri is ranked 48th among all states in the amount of state revenue it collects per person, and 45th in the amount it spends per person (including federal funds).

What's more, Missouri's rankings dropped between 2010 and 2020.³

- During that time, Missouri's state revenue per capita national ranking fell from 44 to 48, respectively.
- The state's expenditures per capita ranking also dropped from 44 to 45, including federal funds.

This trend holds closer to home as well. Compared to its eight neighboring states, Missouri collects the least state revenue per capita, and ranks among the bottom in spending.

Like its national rankings, since 2010 Missouri declined in rankings relative to its neighbors.
## How Missouri's Tax Structure Compares

A variety of revenue sources contribute to the state public services Missourians rely on as a foundation to build their lives. In addition to federal funds, sources include income and sales taxes, gas and tobacco taxes, and lottery and gaming revenue. This diversity of funding sources provides more stability to the state's budget, making Missouri less vulnerable to shortfalls that result from short-term economic changes.

### Compared to Other States, Missouri:

Earmarks more state-generated funds for specific purposes.

So, while state general revenue may appear heavily reliant on income tax, **it makes up just 32% of all state-based revenue sources.**

### Missouri's FY 2022 Operating Budget

Sources of State-Generated Revenue (Excludes Federal Funds)

$20.78 Billion

- **Individual Income Tax:** 32.46%
- **Sales Tax** (General Revenue Only): 10.85%
- **Other General Revenue:** 4.89%
- **Corporate Income Tax:** 1.98%
- **Other:** 49.81%

Includes several categories of dedicated state taxes, such as the gas tax for roads, lottery & gaming, & earmarked sales taxes.
State Income Tax is Well Below Most States

- The top rate of income was cut from 6% in 2014 to 5.3% in 2022.
- As of 2022, Missouri’s top rate of income tax at 5.3% was lower than 24 other states, including our neighbor states of Arkansas, Iowa, Kansas — and well below the national average of 6.4%.
- The top rate is scheduled to drop to 4.95% in 2023, which will make it lower than 32 other states.

Missouri’s Tax Structure Favors Corporations

Missouri is one of 27 states that provides “vendor discounts,” known as the “Timely Filing Discount,” which allows retailers to retain a portion of the sales and use taxes they collect from customers if they remit those taxes to the state in a timely manner. Missouri’s uncapped timely filing vendor discount of 2% is more generous than all other states except Colorado.

Missouri’s Share of State Sales Tax Revenue is Below the National Average – But When Combined with Local Sales Taxes, Exceeds National Average

Of states collecting sales tax, only six states have a lower state sales tax rate than Missouri. When state tax reductions took effect, state revenue to fund services became more limited. Attempting to make up the difference, localities increased local sales tax rates and created multiple taxing jurisdictions resulting in “stacking” of sales tax.

- As a result, the average state and local sales tax in Missouri is now 8.29%, well above the national average of 6.57%.

Overall, the decreases in the top rate of income tax combined with higher local sales taxes have made Missouri’s tax structure more regressive.

- The regressive impact of increased sales taxes is compounded by the fact that sales tax is often applied to necessities such as food, diapers and period products.
- In fact, although the state applies a lower sales tax rate on food than on other products, Missouri is one of only twelve states that tax groceries.
Lower Income Missourians Pay a Higher Share of Their Income in State & Local Taxes Than Wealthiest

Tax changes made over the last decade have made Missouri’s tax structure more regressive, resulting in working families and Missourians with fixed incomes contributing a much larger share of their income to support public services than wealthy Missourians.

Extraordinary federal funding related to the pandemic has bolstered our state’s ability to invest in the services our communities need, improving the lives of Missourians. As these funds cease, and additional state tax decreases go into effect, the revenue our state has to invest in public services will further decline.

Notes


ii. Ibid


viii. The Tax Foundation, State and Local Sales Tax Rates as of July 1, 2022, retrieved from https://taxfoundation.org/publications/state-and-local-sales-tax-rates

ix. 2023 State Sales Taxes - Food and Drug Exemptions. (2023). Federation of Tax Administrators, retrieved from https://www.taxadmin.org/assets/docs/Research/Rates/sales.pdf. Note: Kansas is phasing out its food sales tax (it will fully expire in 2025) and is not included as one of the twelve states that tax groceries. Illinois, whose food sales tax is temporarily suspended until July 2023, is included.