

Missouri House Approves Irresponsible Tax Cut

Tom Kruckemeyer, Chief Economist

In what may become an alternate vehicle to pass damaging tax cuts, on April 10th the Missouri House gave preliminary approval to [House Bill \(HB\) 253](#), which would cost the state about \$627 million a year when fully phased in. Moreover, it would considerably reduce revenue available in the next fiscal year, requiring substantial cuts to the budget that legislators are currently debating. While the total cost of the proposal is less than the massive cuts recently passed by the Senate in [Senate Bill 26](#), the resulting cuts to education, transportation, public safety, and other core services would similarly undermine Missouri's economy and quality of life.

[HB 253](#) would reduce the Missouri corporate income tax rate from 6.25 percent to 3.125 percent and phase in a 50 percent exclusion of "business" income that is reported on individual income tax returns. The bill also includes a sales tax exemption for the tax paid on various types of amusement and manufacturing and mining equipment.

The House-passed proposal would reduce revenue in the upcoming budget year by \$229 million, requiring major cuts from the FY 2014 budget that is currently under consideration. The annual General Revenue impact is estimated to be:

Cost to Missouri General Revenue ¹	
FY 2014	- \$229 million
FY 2015	- \$297 million
FY 2016	- \$417 million
FY 2017	- \$547 million
FY 2018	- \$627 million

Missouri already has one of the lowest effective corporate tax rates in the nation, and research indicates that corporate tax rates have little effect on business decisions and a state's economic growth.² Moreover, tax cuts of this magnitude will require severe cuts in services that provide the foundation for Missouri's economic growth, resulting in larger class sizes, higher college tuitions, and a crumbling transportation infrastructure. As a result, rather than spurring the economy, [HB 253](#) would undermine the economy by devastating Missouri's ability to invest in the very services that businesses look for when deciding where to locate or expand.

¹ Missouri Budget Project analysis of impact

² For more information, see "[Corporate Tax Rates Do Not Drive Business Decisions: Rate Cuts Could Impede Economic Growth](#)," Missouri Budget Project, January 2013.