



Senate Bill 26 Will Harm Business and Economic Development

1. The extreme tax cut will require dramatic cuts to state services, beginning with the fiscal year 2014 budget, currently being debated in the Missouri legislature. The proposed tax cut will severely undermine Missouri's ability to invest in core public services like education, health, public safety, transportation and infrastructure that promote our quality of life and make the state attractive for business investment.

2. When fully implemented, the tax cut will require Missouri to cut \$960 million from the state's general revenue budget – the equivalent of 32 percent of current state funding for local K-12 school districts and more than \$100 million more than the amount of funding Missouri provided to all of its four and two year public colleges in the current fiscal year.

3. Missouri still hasn't recovered from the recent economic recession. After multiple years of budget reductions, state funding for local school districts is already \$620 million below the required funding level as determined by the foundation formula. Missouri's public four year colleges and universities and community colleges are already \$292 million below the level of funding received in FY 2001 when adjusted for inflation. As a result, tuition for Missouri's four-year institutions has nearly doubled in the last decade. **The tax cut will ensure that Missouri can never fully fund the formula and is likely to result in further cuts to state support for local schools and colleges.**



4. Workforce and infrastructure matter to businesses. An educated workforce, good public schools, stable transportation systems, and safe communities rank higher than state taxes in surveys of what businesses look for when they expand or relocate. **The tax cut will diminish Missouri's ability to invest in the core services that businesses need in order to succeed.** Companies will likely be forced to spend more of

their own money educating and training their workers, securing their workplaces, and repairing infrastructure due to cuts in state services. In addition, a large state tax cut will increase pressure to raise sales and property taxes, both increasing costs for businesses.

5. The cuts will cause lasting damage in Missouri. Because the Missouri Legislature is largely restricted from increasing taxes under the Hancock Amendment in the State Constitution, **the tax changes can't be overturned by lawmakers once implemented. In other words, even if lawmakers realize they made a mistake, they will not be able to fix it.**

6. Tax cuts will harm Missouri's creditworthiness. Recently Moody's Investor Services downgraded Kansas' credit outlook. In their statement, Moody's said, "Although subject to appeal, this ruling is credit negative for Kansas (Aa1 negative) and underscores challenges the state faces as it tries to offset revenue losses from the income tax cuts it enacted last year."

7 The harm resulting from the proposal is unnecessary. According to the Tax Foundation, Missouri already ranks as one of the top states for business tax climate, at 16th best in the nation. Missouri easily passes its neighbors, including Iowa (42nd), Nebraska (31st), Kansas (26th), Oklahoma (35th), Arkansas (33rd), and Illinois (29th).

For more information, contact the Missouri Budget Project www.mobudget.org or 314-652-1400