

Missouri Budget Project E-News January 18, 2013

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1. **Missouri's Race to the Bottom: Senate Proposals Would Cause Severe Damage to Budget**

Two recent Senate proposals would further inhibit Missouri's ability to provide the services it needs to compete economically by severely damaging state revenue.

[Senator Eric Schmitt](#)'s proposal to cut corporate income taxes would reduce state revenues by an estimated \$589 million when fully phased in, according to an initial Missouri Budget Project estimate. [Senate Bill 11](#) would cut Missouri's corporate income tax rate in half, from the current rate of 6.25 to 3.125 percent. In addition, the bill provides a 50 percent tax deduction of business income that is included on individual income tax. Both cuts are phased in over five years.

[Senator John Lamping](#) has filed [Senate Bill 31](#), which would create a flat 4 percent income tax in place of Missouri's current, graduated income tax, which has a top rate of 6 percent. In addition, the bill would increase the tobacco tax by 26 cents and the sales tax by one-half of one cent. The combined cost of the bill would reduce state revenues by more than \$1 billion per year (Missouri Budget Project estimate).

In context, the amount is the equivalent of one-third of the K-12 school funding formula and more than Missouri provided to all public higher education institutions last year. Moreover, the bill shifts taxes to those that are more regressive in design, so those with the lowest incomes in Missouri would pay considerably more in tax while those with high incomes would pay less.

Missouri's already significantly reduced budget can ill afford these cuts, as outlined in the MBP report [Cutting to the Chase](#). Further reductions to services that improve the quality of life for all Missourians and provide for a quality workforce and infrastructure would only make Missouri less attractive for business investment.

These proposals may be heard in committee as soon as next week.

2. **Tax Credit Proposals to Be Heard in Committee**

The ongoing debate regarding Missouri's tax credit structure continues. In the last two years, a fairly contentious debate in the legislature regarding the best approach to reform tax credits resulted in several "benevolent" tax credits expiring, including the Children in Crisis credit and the tax credit for food pantry donations. Several bills have been filed in the House and Senate that would restore these credits and extend some others, including:

- [House Bill 87](#)
- Senate Bills [15](#), [19](#) and [20](#)

These bills are scheduled for hearings next week (more information in "Upcoming Hearings").

3. Upcoming Hearings

The [Senate Appropriations Committee](#) will meet on **Tuesday, 1/22, at 12:30 p.m.** in Senate Committee Room 2 to hear public testimony related to the Departments of Elementary & Secondary Education, Higher Education, Mental Health, Health & Senior Services, and Social Services.

The committee will meet again on **Wednesday, 1/23, at 8:30 a.m.** in Senate Committee Room 2 to hear public testimony related to the Departments of Transportation; Revenue; Agriculture; Natural Resources; Conservation; Economic Development; Insurance, Financial Institutions and Professional Registration; Labor & Industrial Relations; Public Safety; Corrections; and the Office of Administration. Those interested in testifying should follow the instructions listed above.

Those interested in testifying at either hearing were to have contacted [committee staff](#) by **January 17** at 866-475-6083 or public.testimony@senate.mo.gov. Additional details are outlined on the [hearings web site](#).

The [Senate Jobs, Economic Development and Local Government](#) committee will meet at 1 p.m. on Wednesday, January 23 in the Senate Lounge to hear Senate Bills 15, 19, and 20, tax credit proposals discussed in the previous section.

The [House Appropriations Committee for Health, Mental Health, and Social Services](#) will hear departmental overviews this week. An overview from the Department of Mental Health is scheduled for 2 p.m. on Tuesday, 1/22, and an overview from the Department of Social Services on Wednesday, 1/23 at 2 p.m. Both hearings will be held in House Hearing Room 6. The Department of Health and Senior Services overview is on Thursday, 1/24 at 8 a.m. in House Hearing Room 3.

The [House Budget Committee](#) will hold an organizational meeting on Wednesday, 1/23 at 8 a.m. in House Hearing Room 3.

The [House Appropriations Education Committee](#) will hear public testimony on Wednesday, 1/23 at 2 p.m. in House Hearing Room 1.