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Missouri One of Few States to Tax Working Poor in Poverty
Report Shows Need to Reform Outdated Income Tax Structure

Today, the Center on Budget & Policy Priorities released a report indicating that Missouri was one of only a few states that tax working poor families with incomes below the poverty line. This finding emphasizes the need for Missouri to carefully update and reform its outdated personal income tax structure.

The report, “The Impact of State Income Taxes on Low-Income Families in 2010,” found that Missouri was one of only eleven states that require a single parent family of three earning below the poverty threshold (\$17,374) to pay income taxes, and one of only fifteen states that does not exempt a two-parent family of four below the poverty line (\$22,314) from income taxes.

“The working poor in Missouri pay income tax at the same tax rate as millionaires,” said Amy Blouin, Executive Director of the Missouri Budget Project. “The highest tax bracket begins at just \$9,000, because brackets haven’t been updated since the 1930s.”

As emphasized in the report, “Taxing the incomes of working poor families runs counter to decades of efforts by policymakers across the political spectrum to help families work their way out of poverty.” The federal government and most states exempt such families from the income tax, and research shows that boosting the after-tax incomes of poor families can increase children’s academic success and future earnings.

While proponents of drastic tax measures, specifically the initiative to replace Missouri’s income tax with a greatly expanded sales tax, use the antiquated nature of Missouri’s income tax to argue against levying an income tax altogether, their drastic proposals would actually harm lower income families to an even greater degree than the current tax structure.

“The proposed ‘almost everything tax’ would compound the problem for low-wage Missourians by making a greater amount of essential goods and services (such as food and health care services) subject to a new sales tax, thereby increasing the taxes significantly for the working poor and middle class. These types of drastic measures are not a rational solution to Missouri’s outdated tax structure,” said Blouin.

“Instead, the state’s income tax must be reformed so that the wealthy pay a slightly higher proportion of their income than the middle-class or low-wage earners, assisting families in working their way out of poverty while still ensuring that the critical state services all Missourians rely on are maintained,” continued Blouin. “Missouri’s tax structure is long overdue for an overhaul. By bringing its tax structure into the 21st century, Missouri can improve the lives of hard-working Missourians struggling to make ends meet and be able to invest in areas such as education, transportation, and building a stronger economy.”

To read the full report from the Center on Budget and Policy Priorities, visit:

<http://www.offthechartsblog.org/many-states-still-taxing-the-incomes-of-working-poor-families/>