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DECREASE IN REVENUE COLLECTIONS SPEAKS TO NEED FOR BALANCED APPROACH, NOT FURTHER BUDGET CUTS

St. Louis, MO - - Governor Nixon has announced that the revenue estimate he and the Missouri Legislature were relying on to determine the amount of money they would have available for the fiscal year 2010 budget was too optimistic. The Governor and Legislature had been estimating a state revenue decline of 6.4 percent for the current fiscal year (2010) and growth of 3.6 percent for fiscal year 2011, but declines in revenue collections for February show a significant decline of approximately 12 percent. These decreases will likely severely impact the revenue collections for fiscal year 2011, which is now being debated, as well.

Governor Nixon, who has already made nearly \$700 million in cuts, vetoes or withholds to the state's budget for the current fiscal year - and included significant funding cuts in his proposed FY 2011 budget - announced that further budget cuts would be needed this fiscal year to offset the decline in state revenue.

"For too long our state has relied solely on cuts to critical state programs - including funding for education, health services and transportation - that benefit Missouri families and our economy," said Amy Blouin, Executive Director of the Missouri Budget Project. "The amount of funding our state brings in continues to decline, but our state budget has been cut to the bone. The only responsible course of action in the face of the state's continued decline in revenue is a balanced approach that includes measures to grow our state's budget collections to keep up with the needs of Missouri residents."

The significant decrease in state revenue collections for February is in keeping with the downward trend so far this fiscal year. During the first seven months of Fiscal Year 2010 (July 1 - January 31, 2009), state net general revenue collections dropped by 12.5 percent compared to the previous year, due in part to the economic recession.

However, the recession is not the only cause of revenue declines in the state. Tax cuts passed during the last few state legislative sessions have also decreased the revenue collected in Missouri by approximately \$300 million per year, and there has been a 160 percent increase in state tax credits since FY 2002. Even prior to the current economic downturn, Missouri faced significant budget shortfalls due to these decreases.

Potential Revenue Growth Measures

There are opportunities for the Governor and State Legislature to implement measures to increase the amount of revenue our state collects, rather than continuing to make damaging cuts each year.

While our state's economy has changed over the past decades, our tax structure has not. One example is a loss of state sales tax revenue from purchases made on the internet rather than in local stores. A recent estimate from the University of Tennessee indicates that Missouri loses more than \$200 millions in revenue annually due to not capturing sales tax from internet purchases. States across the nation are

passing a streamlined sales tax to collect sales tax on online purchases, and Missouri has an opportunity to do so as well.

Missouri can also close tax loopholes that result in lost revenue for the state. Currently, Missouri rewards companies for submitting their state-owed taxes on time with a discount on the amount they owe, even though they are required by law to pay on time. This is an outdated practice that began before businesses had computers to support their work, and is no longer necessary.

Additionally, Missouri currently has a tax loophole which allows companies that register their trademark subsidiary in states without a corporate income tax, such as Delaware, to avoid paying taxes for their sales and operations in Missouri. This accounts for a significant loss of state taxes from national retailers with stores in our state. Most states have closed this loophole, but Missouri has yet to do so.

“There are many possibilities on the table for the Governor and the Legislature to enact a balanced approach to the state budget that includes increases in the amount of revenue our state collects,” Blouin said. “For our state’s economy to improve and for Missouri families to move out of this recession we need to enact proactive measures to ensure our state budget can keep up with the needs of our families and businesses. At this point, there is no fat left to cut in our state budget. Any further cuts will greatly impact the quality of life in Missouri. It is up to our elected officials to take responsible actions to protect the future of our state.”

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