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Missouri One of Few States to Levy Income Taxes on Families in Poverty, New Report Shows

St. Louis, MO – Missouri families living below the poverty level in 2009 faced a substantial state income tax liability, according to a report released today by the Center on Budget and Policy Priorities. Missouri was of only 11 states to set an income tax threshold (the amount of income at which a family begins facing an income tax liability) below the poverty level for a family of three, and one of only 13 states to do so for a family of four.

Single working parents with two children, earning \$14,400 or more in Missouri, were subject to the income tax. The poverty line for this type of family was \$17,102 in 2009. A married couple with two children pays income tax if the household salary is \$18,100 or more, well below the 2009 poverty level of \$21,947 annually. The average income tax threshold nationwide in 2009 was \$22,000 for a family of three – or \$4,898 above the poverty level - and \$26,300 for a family of four, which is \$4,353 above the poverty level.

Missouri's income tax brackets were established in 1931 and have not been adjusted since. As a result, all Missourians who earn at least \$9,000 of adjusted gross income per year are taxed at the same rate of 6 percent, no matter how high or low their income is.

“Our drastically outdated tax brackets, which levy taxes on working families below the poverty line, are just one example of the need to reform Missouri's tax structure,” said Amy Blouin, executive director of the Missouri Budget Project. “We should modernize our tax system to maintain the services Missourians need and enhance our state's economic potential.”

Missouri is facing significant budget shortfalls for the current and upcoming fiscal years. Governor Nixon has withheld more than \$900 million this budget year. An additional \$500 million will be trimmed during the current legislative session as the FY2011 budget is finalized. Projections for fiscal year 2012, just over one year away, show shortfalls of well over \$1 billion.

“Missouri's budget challenges are too large to be solved by cuts alone,” Blouin said. “We need balanced, common sense solutions that begin with reforms to Missouri's tax structure, which would help to plug the holes and modernize our system. Some critical reform proposals are currently before the state legislature, including the streamlined sales tax, which would allow Missouri to capture lost sales taxes from internet purchases. In

addition, proposals to close corporate tax loopholes and reform tax credits could make a significant difference for our state's ability to fund services that benefit all Missourians."

To read the full report from the Washington, D.C.-based Center on Budget & Policy Priorities, please visit: <http://www.cbpp.org/cms/index.cfm?fa=view&id=3173>.

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The Mission of the Missouri Budget Project is: To advance public policies that improve economic opportunities for all Missourians – particularly low and middle-income families – by providing reliable and objective research, public education and advocacy. More information is available at www.mobudget.org.