



March 1, 2010

## What The “fair tax” Costs Missouri Families

The Fair Tax Proposal would **raise taxes on 95 percent of Missouri individuals and families** without generating any new revenue for services or benefits for families. In order to replace the revenue lost as a result of eliminating corporate and individual income tax, the increased sales tax rate would have to be at least 11 percent applied to nearly ALL goods and services—many of which are not currently taxed. Families would face a greatly increased tax applied to child care, health care, education, medical visits, prescriptions and most other basic needs.

Using the Missouri tax calculator developed by the Institute for Taxation and Economic Policy, a Missouri family making \$60,000/year filing jointly with two children **would pay an additional \$712 per year** in taxes if a broad sales tax replaced their state income tax liability.<sup>i</sup> This tax increase also accounts for the “prebate” the family would receive under the current Fair Tax proposal.

In fact, most Missourians pay more because the tax proposal shifts the responsibility of funding state services and infrastructure away from a diversely shared responsibility of individuals and corporations to one that relies entirely on the spending of individuals and families. Because the “fair tax” eliminates the exemptions families receive on income tax for items such as child care, personal deductions and federal taxes they pay, the base of their income that is subject to tax increases. **Middle income families in Missouri would face the greatest increase in tax burden, with an average tax increase equal to 3.2 percent of their income.** The poorest families in Missouri would face a tax increase of 1.5 percent of their income. Only the top five percent wealthiest Missourians would actually see a decrease in taxes.<sup>ii</sup>

### What’s taxed under the “fair tax”

The new tax structure would apply the sales tax to all goods and services that a family purchases. The only exemption in the bill is higher education. **No other state** currently taxes services this broadly and the consequences are unknown. What is clear is that the items and services that individuals and families need in order to be able to live healthy, quality lives and the services that provide families with the ability to go to work would be taxed. The following gives a partial list of the services and goods that would be taxed under this proposal. If the legislature chose to exempt any of the services, the tax rate would need to increase even higher than the expected 11 percent rate on everything else.

- Food
- Rent
- New Homes
- Doctor’s visits
- Childcare
- Private K-12 Education
- Family counseling & mental health
- Nursing home care and assisted living
- Transportation and Gas
- Prescription Drugs
- Health care and health insurance
- New cars, auto insurance and repair
- Utilities
- Tutoring and Educational Services
- Home repairs
- Funeral services
- Legal Services
- Financial Services

<sup>i</sup> Taken from Partnership for Children’s Fair Tax Fact sheet available at:  
[http://www.pfc.org/publications/periodicals/FairTaxNotFair4MOFamilies\\_print.pdf](http://www.pfc.org/publications/periodicals/FairTaxNotFair4MOFamilies_print.pdf)

<sup>ii</sup> Institute on Taxation and Economic Policy, Testimony to the Missouri Senate Government Accountability and Fiscal Oversight Committee, dated January 28, 2010, available at: <http://www.itepnet.org/motest0110.pdf>