



Economic Recovery Rebate Leaves Too Many Missourians Behind

At the end of the 2022 state legislative session lawmakers approved House Bill 2090, to provide “economic recovery” payments to Missourians. Intended to help families meet the rising cost of inflation, the bill had a fundamental flaw in that it would **leave out more than one-third of Missouri taxpayers, including families earning low wages and seniors who rely on Social Security income.**¹

Governor Parson should veto the bill, which would allow the state to instead invest the funding in the services and infrastructure that would create an inclusive recovery.

House Bill 2090 includes an economic recovery payment in the form of a tax credit that would purportedly give single adults a credit of up to \$500 and joint filers a credit of up to \$1,000. However, the amount of the actual credit is based on both an aggregate cap and the income tax liability of the tax filer. **As a result, no Missourian will receive the advertised amount, and more than one-third of Missourians would be left behind entirely.**

Most significant are the limits based on the income tax liability of the taxpayer:

- If a family’s income tax liability is \$6, they would get \$6; if a family’s income tax liability is \$0, they would get \$0. **This structure leaves behind many of the Missouri taxpayers most struggling to afford gas and to put food on the table, including families earning low wages and seniors with fixed incomes.**
- **While these folks are not likely to have a state income tax liability, they pay significant portions of their income in sales, property and other state and local taxes.** In fact, according to the most recent analysis, Missouri families in the bottom quintile of income pay 9.9% of their income in state and local taxes, compared to just 6.2% for the wealthiest 1% of Missourians.²
- The low-income Missourians left out of the credit are the very ones who are still struggling to recover from the COVID crisis while facing higher costs for food, gas, and other necessities.
- Further, as the costs for the food and gas and other necessities increase, the sales taxes paid on those items have also increased, making it even harder for low-income Missourians to get by.

In addition, the \$500 million aggregate cost cap for the measure will require the Department of Revenue to prorate the credits, and no Missourian will see the “advertised” amount.

- Lawmakers did not include instructions for how the Department should prorate, making the credit difficult and costly to administer.

¹ Institute on Taxation and Economic Policy, Income Quintile Analysis of House Bill 3021, April 14, 2022

² Institute on Taxation and Economic Policy, “Who Pays? 6th Edition”, available at <https://itep.org/whopays-map/>

- Moreover, prorating the credit to fit into the cap means that **no Missourian will receive the top credit of \$500 for individuals or \$1,000 for joint filers.** On average, the credit will be just 41% of the value that was touted by lawmakers.

House Bill 2090 Economic Recovery Payment Impact by Income							
Prorated to \$500 Million Aggregate Cap							
<i>Source: Institute on Taxation and Economic Policy</i>							
2022 Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less than \$22,000	\$22,000 – \$40,000	\$40,000 – \$66,000	\$66,000 – \$110,000	\$110,000 – \$229,000	\$229,000 – \$552,000	\$552,000 and Higher
Average Income in Group	\$13,000	\$30,000	\$52,000	\$86,000	\$152,000	\$332,000	\$1,581,000
Average Tax Change	-7	-69	-169	-280	-359	-248	0

Governor Parson has been open about his concerns about the bill. **It would be prudent for him to veto the measure, and instead encourage lawmakers to invest in the services and infrastructure that provide the foundation for all Missourians to thrive.** The state has critical needs in education, health and mental health, affordable workforce housing, safe drinking water. The funds could be better used, and have a broader and more sustainable impact, by investing in these needs.