



Special Session Tax Proposal Leaves Out 1/3 of Missouri Taxpayers, Weighted to Benefit Wealthiest

Governor Parson's recently released tax proposal would leave out about one-third of Missourians, including many of those who pay the highest proportion of their income in state & local taxes, and set the state up for a Kansas-like budget bomb that would require significant cuts to schools, public safety, healthcare, and other critical needs.

In addition to renewing several agricultural tax credits, the plan would:

- Reduce the top rate of income tax from the current 5.3% to 4.8%.
- Increase the standard deduction by \$2,000 for single filers and \$4,000 for joint filers.
- Eliminate the first tax bracket – essentially exempting the first \$1,000 of income from tax.

The proposal's income tax changes would reduce state general revenue by more than \$950 million annually.

- **In context, that amount is nearly 27% of the state funding formula for local schools.**
- This decrease in state general revenue coupled with the loss of one-time federal funds would make it extremely difficult for lawmakers to fully fund schools, public safety, healthcare, and other critical needs.

The proposal is heavily weighted to benefit the wealthiest Missourians and leaves out 33% of Missouri taxpayers entirely - like older Missourians living on fixed incomes and low wage families with children.

- Older Missourians who rely solely on social security income, retired teachers who depend on state pensions, and working families with low-wages may earn too little money to owe income taxes, but they contribute significant portions of their income to state general revenue in sales and property taxes.
- In fact, In Missouri, the lower your earnings, the more you pay in state and local taxes as a share of what you make.
- For those who do get a cut, the wealthiest 1% of Missourians would receive \$6,024 on average, while the lowest income Missourians would receive just \$11 from the Governor's proposal.
- The policies would do little to address recent increases in property taxes or higher sales taxes resulting from inflation, both of which have had disproportionate impacts on working families and seniors with fixed incomes.

Governor Parson's Proposed Tax Changes Heavily Weighted to Benefit the Wealthiest
Impact by Income
Combined Cost: \$954 million

2022 Income	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	More than \$552,000
Average Income	\$13,000	\$30,000	\$52,000	\$86,000	\$152,000	\$332,000	\$1,581,000
Impact of reducing top rate from 5.3 to 4.8% (Cost: \$669 million)							
Average Tax Change	-0	-14	-72	-172	-456	-1,143	-5,975
Impact of Increasing Standard Deduction by \$2,000 single / \$4,000 married /joint filers (Cost: \$264 million)							
Average Tax Change	-13	-70	-157	-241	-274	-173	-55
Impact of Eliminating First \$1,000 from Income Tax (Cost: \$45 million)							
Average Tax Change	-3	-7	-16	-23	-28	-26	-20
Combined Impact of Governor's Proposal (Cost: \$954 million)							
Average Tax Change	-11	-63	-177	-330	-635	-1,258	-6,024

Source: Institute on Taxation and Economic Policy, August 2022