

How Missouri Taxes & Revenue Compare to Other States

A number of tax changes made over the last three decades have resulted in an inadequate, upside-down tax system where low- and middle-income Missourians pay a higher share of their income in taxes than the richest Missourians, and out-of-state corporations pay less than their fair share for public services. This structure shifts the cost to hardworking Missouri families just trying to make ends meet and deprives our state of the revenue needed to support thriving communities, help families succeed, and promote Missourians' way of life.

The following pages illustrate how Missouri's tax structure compares to other states, including our neighbors, and how it shortchanges Missourians.

Missouri Invests Less In Its People Than Nearly All Other States, Including Its Neighbors

Our state tax revenue helps pay for teacher salaries, supports adoptive and foster care families so that kids can grow in safe and loving environments, increases access to mental health services for those that need them, and provides for safe and thriving communities. Yet only five states in the nation collect less state revenue per capita than Missouri.ⁱ

Federal funds also help pay state services. But even when both state and federal funds are included, only seven states spend less per capita on services for their residents.ⁱⁱ

Among all states, Missouri is ranked:

45th in the amount of state revenue it collects per person, and
43rd in the amount it spends per person (including federal funds).

This trend holds closer to home as well. Compared to its eight neighboring states, Missouri collects the least state revenue per capita, and ranks among the bottom in spending.

Missouri has consistently ranked near the bottom of these metrics for years.

2021 Per Capita State Tax Revenue (Missouri and Neighboring States)

National Rank	State	Per Capita
11	Illinois	\$4,377
17	Kansas	\$3,954
19	Arkansas	\$3,873
24	Iowa	\$3,695
25	Nebraska	\$3,545
33	Kentucky	\$3,244
38	Tennessee	\$2,867
40	Oklahoma	\$2,831
45	Missouri	\$2,446

U.S. Average is \$3,802

2021 Per Capita State Expenditures, including State and Federal Funds (Missouri and Neighboring States)

National Rank	State	Per Capita
13	Kentucky	\$8,450
21	Illinois	\$7,543
25	Iowa	\$7,021
28	Arkansas	\$6,736
36	Kansas	\$6,334
38	Oklahoma	\$6,095
42	Nebraska	\$5,642
43	Missouri	\$5,576
49	Tennessee	\$4,682

U.S. Average is \$7,001

Source: Missouri Senate Appropriations Committee: 2023 Annual Fiscal Report (Fiscal Year 2024 Red Book)

How Missouri's Tax Structure Compares

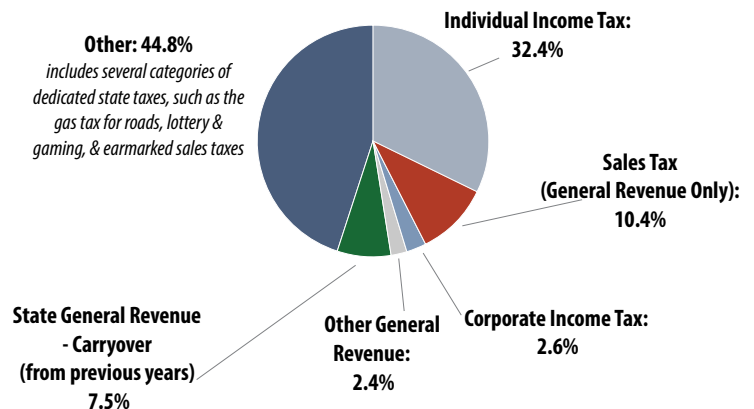
A variety of revenue sources contribute to the state public services Missourians rely on as a foundation to build their lives. In addition to federal funds, sources include income and sales taxes, gas and tobacco taxes, and lottery and gaming revenue. This diversity of funding sources provides more stability to the state's budget, making Missouri less vulnerable to shortfalls that result from short-term economic changes.

However, several features of Missouri's tax structure stand out compared to other states.

Missouri Earmarks More State-Generated Funds for Specific Purposes.

As a result, while state general revenue may appear heavily reliant on income tax, **it makes up just 32% of all state-based revenue sources.**

Missouri's FY 2024 Operating Budget
Sources of State-Generated Revenue (Excludes Federal Funds)
\$27.55 billion



Missouri's State Income Tax is Well Below Most States

- The top rate of income was cut from 6% in 2014 to 4.95% in 2023.
 - As of 2023, Missouri's top rate of income tax at 4.95% was lower than 26 other states and the District of Columbia - including our neighbor states of Nebraska, Iowa, and Kansas.
 - The rate is also well below the national average of 6.3% for the 41 states plus the District of Columbia that levy an income tax.ⁱⁱⁱ
 - The top rate is scheduled to drop to 4.8% in 2024, which will make it lower than 32 other states. When already approved tax cuts are fully implemented, the rate will drop to 4.5%.
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Missouri's Tax Structure Favors Corporations

- Only one state in the nation has a top corporate income tax lower than Missouri's rate of 4%.^{iv}
 - In addition, Missouri offers the most generous "Timely Filing Discount" in the country. It is one of 27 states that provide such "vendor discounts," which allow retailers to retain a portion of the sales and use taxes they collect from customers if they remit those taxes to the state in a timely manner.
 - Most states with these discounts either cap the amount or only apply the top discount to a limited amount of collections.
 - Missouri's timely filing vendor discount rate of 2% is one of the most generous in the nation. Missouri is also the only state in the nation to offer such a generous rate without any cap or limit on the size of that discount.^v
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Missouri's Share of State Sales Tax Revenue is Below the National Average – But When Combined with Local Sales Taxes, Exceeds National Average

Of states collecting sales tax, only six states have a lower state sales tax rate than Missouri.^{vi}

- When state tax reductions took effect, state revenue to fund services became more limited. Attempting to make up the difference, localities increased local sales tax rates and created multiple taxing jurisdictions resulting in "stacking" of sales tax.
- As a result, the average state and local sales tax in Missouri is now 8.36%, well above the national average of 6.59%.^{vii}

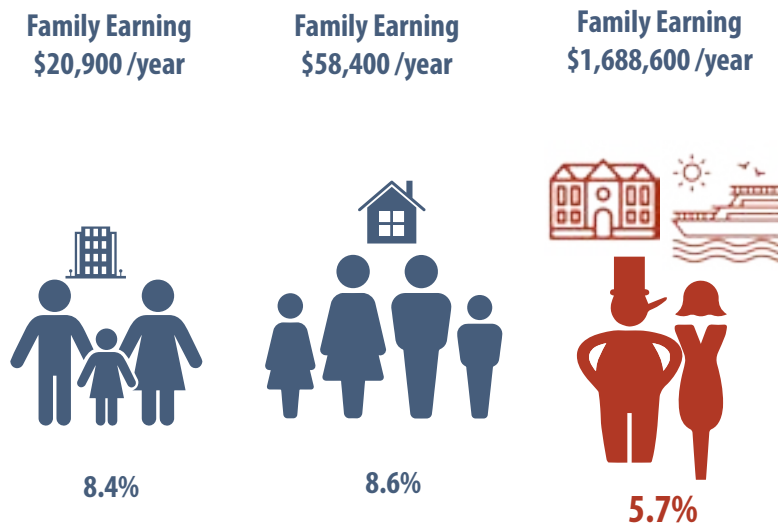
Overall, the decreases in the top rate of income tax combined with higher local sales taxes have made Missouri's tax structure more regressive.

- The regressive impact of increased sales taxes is compounded by the fact that sales tax is often applied to necessities such as food, diapers and period products.
- In fact, although the state applies a lower sales tax rate on food than on other products, Missouri is one of only twelve states that tax groceries.^{viii}

Lower Income Missourians Pay a Higher Share of Their Income in State & Local Taxes Than Wealthiest

Tax changes made over the last decade have made Missouri's tax structure more regressive, resulting in working families and Missourians with fixed incomes contributing a much larger share of their income to support public services than wealthy Missourians.

Lower Earning Missourians Pay a Higher Portion of Their Income in Taxes than Highest Income Missourians



Source: Institute on Taxation and Economic Policy (ITEP), *Who Pays?* 7th Edition

Extraordinary federal funding related to the pandemic has bolstered our state's ability to invest in the services our communities need, improving the lives of Missourians. As these funds cease, and additional state tax decreases go into effect, the revenue our state has to invest in public services will further decline.

Notes

- i. Missouri Senate Appropriations Committee: 2023 Annual Fiscal Report (Fiscal Year 2024 Red Book)
- ii. *Ibid.*
- iii. *State Invididual Income Taxes* (For Tax Year 2023 - as of January 1, 2023). Federation of Tax Administrators. Of the states with lower income taxes than Missouri, 9 states do not have broad-based income tax.
- iv. *Range of State Corporate Income Tax Rates* (For Tax Year 2023 - as of January 1, 2023). Federation of Tax Administrators. Six states do not assess a broad-based corporate income tax.
- v. Office of Missouri State Auditor Scott Fitzpatrick, *Department of Revenue - Sales and Use Tax*, Report No. 2023-040, August 2023. Seven states have higher discount rates than Missouri, but each of these states either have a maximum dollar amount that can be assessed or only apply the highest discount rate to a very limited dollar amount of sales tax collected (at which point a lower rate applies).
- vi. *State Sales Tax Rates and Vendor Discounts*. (January 1, 2023). Federation of Tax Administrators. *Ibid.*
- vii. The Tax Foundation, *State and Local Sales Tax Rates, Midyear 2023* (as of July 1, 2023)
- viii. *State Sales Rates and Food & Drug Exemptions*. (As of July 1, 2023). Federation of Tax Administrators.