

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 four 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 six states spend less per capita on services for their residents.ⁱⁱ

Among all states, Missouri is ranked:

**46th in the amount of state revenue it collects per person, and
44th 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 next to last in spending.

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

**2022 Per Capita State Tax Revenue
(Missouri and Neighboring States)**

National Rank	State	Per Capita
12	Illinois	\$4,973
19	Kansas	\$4,288
23	Arkansas	\$4,191
26	Iowa	\$4,034
32	Nebraska	\$3,799
35	Kentucky	\$3,668
39	Oklahoma	\$3,281
41	Tennessee	\$3,213
46	Missouri	\$2,734

U.S. Average is \$4,422

**2022 Per Capita State Expenditures,
including State and Federal Funds
(Missouri and Neighboring States)**

National Rank	State	Per Capita
15	Kentucky	\$7,406
24	Arkansas	\$6,238
25	Illinois	\$6,145
26	Iowa	\$6,019
30	Kansas	\$5,749
36	Oklahoma	\$5,458
43	Nebraska	\$5,168
44	Missouri	\$4,798
47	Tennessee	\$4,212

U.S. Average is \$6,131

Source: Missouri Senate Appropriations Committee: 2024 Annual Fiscal Report (Fiscal Year 2025 Red Book)

How Missouri's Tax Structure Compares

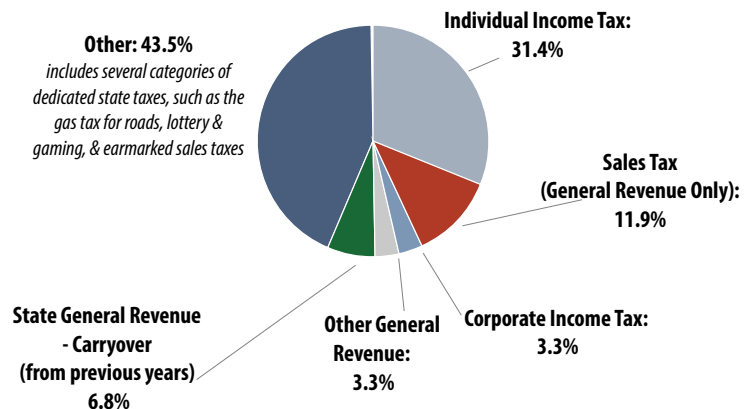
A variety of revenue sources contribute to the state public services Missourians rely on as a foundation to build their lives. In addition to federal funds, sources include income and sales taxes, gas and tobacco taxes, and lottery and gaming revenue. This diversity of funding sources provides more stability 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 31.4% of all state-based revenue sources.**

Missouri's FY 2025 Operating Budget
Sources of State-Generated Revenue (Excludes Federal Funds)
\$26.43 billion



Missouri's State Income Tax is Well Below Most States

- The top rate of income was cut from 6% in 2014 to 4.8% in 2024.
 - As of 2024, Missouri's 4.8% top rate of income tax was lower than 26 other states and the District of Columbia - including our neighbor states of Nebraska, Iowa, Kansas, and Illinois.ⁱⁱⁱ
 - The rate is also well below the national average of 6.22% for the 41 states plus the District of Columbia that levy an income tax.^{iv}
 - The top rate is scheduled to drop to 4.7% in 2025, 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%.^v
 - 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.^{vi}
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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 seven states have a lower state sales tax rate than Missouri.^{vii}

- 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 8.39%, well above the national average of 6.61%.^{viii}

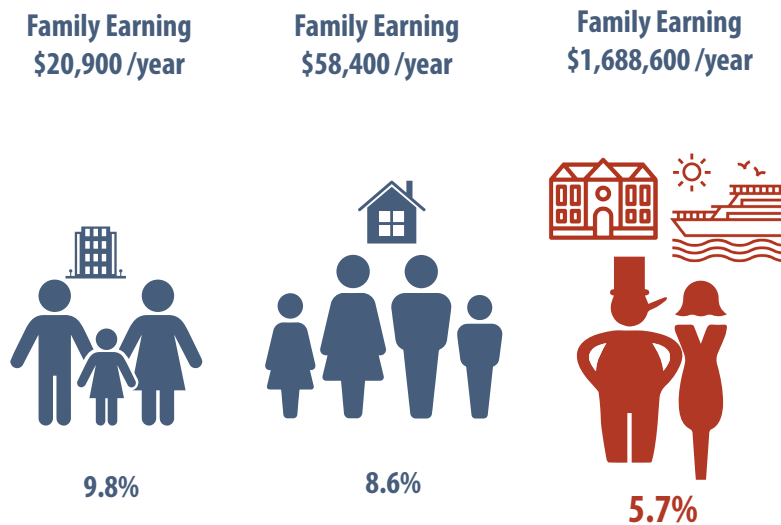
Overall, the decreases in the top rate of income tax combined with higher local sales taxes have made Missouri's tax structure more regressive.

- 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.^{ix}

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: 2024 Annual Fiscal Report (Fiscal Year 2025 Red Book)
- ii. *Ibid.*
- iii. *State Individual Income Tax Rates and Brackets, 2024* (as of January 1, 2024). Tax Foundation. Of the states with lower income taxes than Missouri, 9 states do not have broad-based income tax.
- iv. *Ibid*
- v. *State Corporate Income Tax Rates and Brackets* (as of January 1, 2024). Tax Foundation. Six states do not assess a broad-based corporate income tax.
- vi. 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).
- vii. The Tax Foundation, *State and Local Sales Tax Rates, Midyear 2024* (as of July 1, 2024)
- viii. *Ibid*
- ix. *State Sales Rates and Food & Drug Exemptions*. (As of July 1, 2023). Federation of Tax Administrators.