

Missouri lawmakers are considering swapping out the income tax for a greatly expanded sales tax. This proposal would put affordable housing and non-profits at risk by eliminating key sources of funding for community development and investment.

Many tax credits in Missouri serve important policy goals, like promoting affordable housing and economic development, or allowing nonprofits to leverage donations to further support the critical services they provide Missourians. These tax credits are subtracted from the taxes owed by donors, which incentivize individuals and businesses to support and improve their local communities.

But eliminating the individual income tax would significantly diminish – or in some cases eliminate – these critical tax credits. **In fiscal year 2025, nearly \$600 million in tax credits were redeemed through the individual income tax system – that is 62% of all tax credit redemptions in Missouri.**¹

The Primary Tax Credits Impacting Community Investment in Missouri Include:

<p>Low Income Housing Tax Credit (LIHTC). Missouri’s LIHTC program supplements the federal tax credit to incentivize developers to build more affordable housing for low-income families, older adults and people with disabilities.</p>	<p>23% of redemptions are funded through Individual Income Tax Credits. \$27.5 million is at risk of being eliminated.</p>
<p>Neighborhood Assistance Program (NAP). NAP incentivizes private donations for local projects that strengthen the economy such as job training, education, crime prevention, neighborhood revitalization, and other community services.</p>	<p>88% of redemptions are funded through Individual Income Tax Credits. \$5.6 million is at risk of being eliminated.</p>
<p>Youth Opportunity Program (YOP). YOP incentivizes private donations for local programs such as mentorships, apprenticeships, youth clubs and early childhood education that engage youth in their communities and support positive development and crime prevention.</p>	<p>94% of redemptions are funded through Individual Income Tax Credits. \$2.4 million is at risk of being eliminated.</p>

To see how all of Missouri’s tax credits might be affected by eliminating the income tax, see our full analysis table: https://www.datawrapper.de/_/ftqGQ/

NOTES:

¹ *Missouri Budget Project analysis of Missouri Department of Revenue Quarterly Tax Credit Reports FY2025.*

