

Missouri Tax Proposal Would Increase Costs, Decrease Services for Rural Missourians

Missouri policymakers are considering a proposal to swap the income tax for a greatly expanded sales tax, rigging the system for the wealthy and hurting Missourians and their communities.

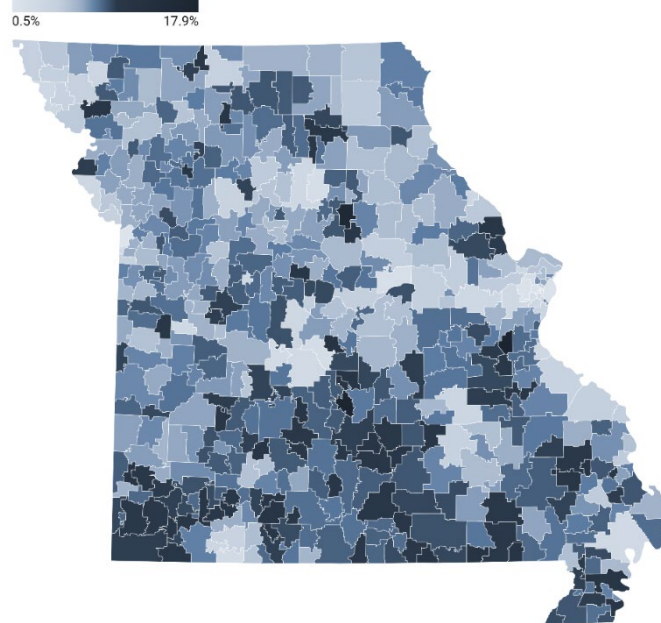
Not only would most rural Missourians see a tax increase under this tax scheme, but state services that support rural Missourians and their local communities would be at risk of devastating cuts, increasing instability in rural communities.

Missouri’s income tax supports nearly 2/3 of Missouri’s state general revenue budget – a critical state funding source for K-12 schools, mental health services, children’s services like childcare and foster care, and services for older adults like meals on wheels and respite care. There’s simply no realistic way to make up the revenue lost from eliminating the income tax – meaning harmful cuts to services for Missourians. Rural Missouri is especially at risk of harm from cuts to critical services.

Public schools in rural communities receive a higher share of state funding as compared to schools in urban areas that often rely heavily on local property taxes.

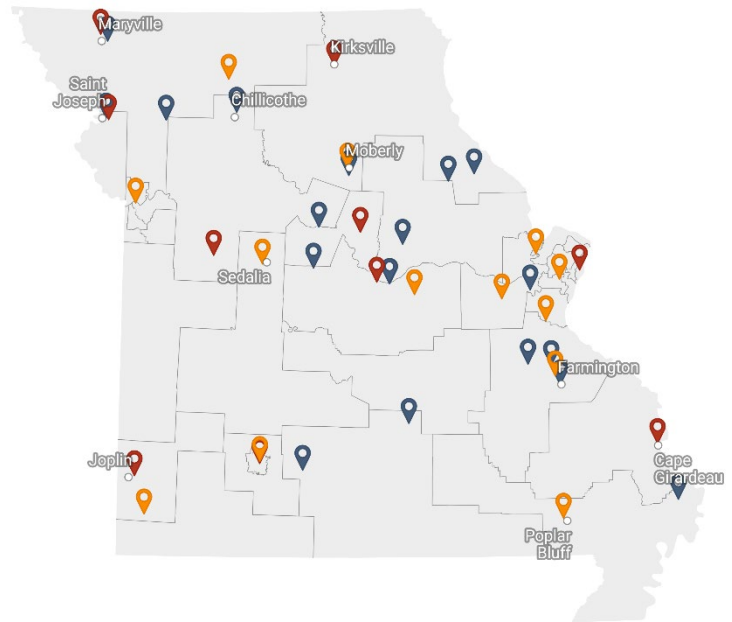
- Missouri school districts in areas with a limited property tax base, as well as small schools with fewer than 350 students, receive supplemental state funding intended to help address budget challenges.
- This means districts in rural areas are at much higher risk of harmful budget cuts – or even consolidation - because of state budget shortfalls.
- Dozens of school districts – nearly all in rural Missouri – could see budget cuts that exceed 10% of their annual budget.

Estimated Budget Cut as a Share of Total School District Budget



Major employers in rural areas, such as universities/colleges and correctional facilities rely heavily on state general revenue funding to remain in operation.

- Missouri’s correctional facilities receive over \$400 million in state general revenue funds each year.¹ General revenue accounts for nearly 92% of all core state funding for these facilities.
- Missouri’s public colleges and universities receive over \$1 billion in state general revenue funds each year.² General revenue accounts for nearly 92% of all core state funding for these facilities.
- The economies of small rural areas, such as Chillicothe, Moberly, and Farmington, rely heavily on these institutions and would be hit especially hard by state budget cuts.

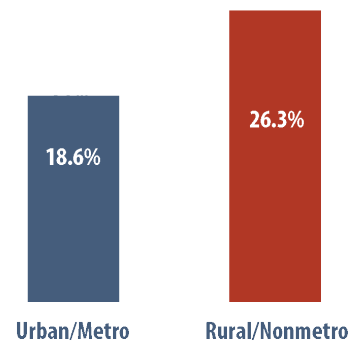


Community & Colleges Correctional Institutions Four Year Colleges & Universities

Rural Missourians are more likely to rely on Medicaid, leaving them at higher risk of losing their health coverage.

- More than one in four Missourians living in rural areas rely on Medicaid, compared to fewer than one in five in urban areas.³
- Fewer job opportunities and higher levels of seasonal and temporary employment in rural areas mean that rural Missourians are less likely to have private health insurance coverage from an employer.
- Medicaid helps to fill that coverage gap so that rural Missourians can access the care they need – but that coverage is placed at risk if budget shortfalls lead to significant cuts to Medicaid eligibility or covered services.

Missourians in Rural Areas More Likely to Rely on Medicaid for Health Coverage



¹ Fiscal Year 2027 Executive Budget (GR is 91.6% of Core Funding for Correctional Facilities)

² Fiscal Year 2027 Executive Budget (GR comprises 91.8% of Total Core Funding for Community Colleges, State Technical Colleges, and Four-Year Colleges and Universities)

³ Huang, Xiaoyu, Sarah A. Eisenstein, and Timothy D. McBride. "Health Insurance Coverage in Rural and Urban Missouri." Center for Advancing Health Services, Policy & Economics Research (CAHSPEP)