

Amendment 5 seeks to replace Missouri's income tax with a greatly expanded sales tax. This would dramatically increase cost of purchases, place critical investments in education, childcare, and senior services at risk, and damage Missouri's economy.

## **Shifting to a greatly expanded sales tax base would dramatically increase daily costs for Missourians and local businesses and dampen consumer spending in communities across the state.**

When Missourians spend money in their local communities, those dollars flow in and out of local businesses, creating a ripple effect that boosts Missouri's economy.

- To generate enough revenue to fully replace the income tax, Missouri's current general state sales tax rate would need to increase from 3% to 10.7% or the sales tax base would need to be greatly expanded to goods and services currently exempt from sales tax.<sup>i</sup>
  - To save money on purchases, Missourians may limit overall spending, cross state lines for purchases or travel to big box stores outside their local community, devastating small local businesses.
  - Businesses could also see increased operating costs as a result of new sales taxes on things like snow removal, landscaping, property and vehicle maintenance, and other necessary expenses. That would either eat into profits – or even further increase costs to consumers.
- Missouri's income tax currently generates \$8.5 billion per year and supports 64% of the state general revenue budget.<sup>ii</sup> There is simply no realistic way to replace a revenue loss of that size.
  - Missouri already invests less in child care than almost every other state in the nation;<sup>iii</sup> each year our state loses out on over \$1 billion of economic growth due to child care shortages.<sup>iv</sup>
  - Investments in education are one of the primary predictors of economic growth<sup>v</sup> yet Missouri invests less in K-12 and higher education than almost every other state in the nation.<sup>vi</sup>

## **Eliminating the income tax would hamper Missouri's ability to invest in the very services and infrastructure that really grow our economy.**

State investments in quality K-12 and higher education, affordable care for children and aging parents, and access to health coverage are key drivers of economic growth and critical components in attracting and retaining a skilled workforce and quality employers.

## **Missouri's economic climate is already very competitive compared to states without income tax.**

- Last year, Missouri gained over 10,000 businesses, while all no-income-tax states except Washington gained fewer or lost businesses. Tennessee lost nearly 10,000 businesses and Florida lost 18,792 businesses.<sup>vii</sup>
- Missouri currently has a lower cost of living than all no-income-tax states.<sup>viii</sup>

**Tax cuts simply do not work. If tax cuts were the key to economic prosperity, Missouri would already be seeing the benefits. Rather, sustainable economic growth is driven by investments in the lives of everyday Missourians.**

## Endnotes

- i Missouri Budget Project Estimated Fiscal Impact of 26-HCS HJR 173 & 174.
- ii State of Missouri Executive Budget FY2027
- iii Karen Schulman. National Women's Law Center. Warning Signs: "State Child Care Assistance Policies 2025" Accessed June 12, 2026 Available at <https://nwlc.org/wp-content/uploads/2026/05/State-of-Child-Care-2026-FINAL-WEB.pdf>
- iv Dietterle, Luke, Sarah Kennedy, and Alan Spell. "The Economic Impact of Child Care Shortages in Missouri." University of Missouri Extension, April 2025. Available at <https://extension.missouri.edu/publications/dm1302>
- v Theodos, Brett and Brady Meixell. "Is Your State Better Off Now Than It Was Fifty Years Ago?" Urban Institute. January 27, 2026. Available at <https://www.urban.org/research/publication/your-state-better-now-it-was-fifty-years-ago>
- vi Missouri Budget Project, "With Repeated Tax Cuts, Missouri's Investments in Its Residents Have Eroded," March 2025. Available at <https://mobudget.org/with-repeated-tax-cuts-missouris-investments-in-its-residents-have-eroded/>
- vii Associated Industries of Missouri analysis of U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages. Accessed 5/28/2026 Available at <https://www.voiceofmobusiness.com/post/aim-opposes-current-draft-of-tax-reform-bill-hcs-hjrs-173-174>
- viii Missouri Economic Research and Information Center (MERIC) Cost of Living Data Series. Accessed May 28, 2026 Available: <https://meric.mo.gov/data/cost-living-data-series>