coalition for missouri's future

Top Reasons Senate Bill 509 is Bad for Missouri

1. It would undermine our state's economy and quality of life and make Missouri *less* attractive for business investment. The Legislature recently passed SB 509, a tax scheme that when fully implemented would cost nearly $800 million per year - that's equivalent to one-fourth of state funding for local K-12 schools, or more than what Missouri spent this year on public colleges and universities. It is also more than Missouri spends on mental health each year. The spending cuts required by the tax cuts would result in more crowded classrooms, higher college tuition, eroding health and mental health for children and seniors, and diminished public safety.

2. No sector would be spared- triggers are not a panacea. While supporters of the tax cuts claim that they have protected education and other services with a so-called "trigger" that would require growth in state revenue prior to tax cuts taking effect, the reality is that these triggers are just a smokescreen. Not only would the triggers fail to even keep up with inflation, but even a slight bump in state revenue would translate to a devastating cut in revenue, keeping the state from ever getting ahead.

3. It would hurt K-12 and higher education, making our workforce less competitive. State funding for local school districts is already more than $600 million below the legally required amount, an average shortfall of $700 per student. Tax cuts would likely result in further spending cuts, preventing Missouri from ever fully funding its schools. Likewise, a severe decline in state investment in higher education has nearly doubled tuition for Missouri university students in the past decade. The tax cut would require further steep tuition increases, reducing the number of people who can afford college when employers are looking for a highly educated workforce.

4. Missouri's quality of life would suffer. Services for Missouri seniors and health and mental health services for children and adults all depend on state general revenue. Tens of thousands of seniors rely on services like home-delivered meals, caregiver supports and community-based services, which would be at risk with the cuts required by SB 509. Moreover, mental health safety net services have seen drastic cuts, resulting in waiting lists for care, which will only get worse if state revenue takes a hit.

5. It would create costly loopholes. A new business income deduction would encourage companies to game the system while failing to create new jobs.

6. Missouri's economy is already outpacing its tax-cutting neighbors. Although both Kansas and Oklahoma have cut taxes recently, their economies aren't thriving as promised. Between December 2012-December 2013, Missouri grew jobs at a rate of 1.26%, Kansas only grew by 0.7% and Oklahoma grew by 1.16%.

7. A provision in the legislation will create years of legal and tax policy chaos and uncertainty, and could be devastating to the state budget. Some legal experts have interpreted bill language to actually eliminate the top income tax bracket altogether, at a cost of $4.8 billion annually. While other experts disagree, a lengthy court battle is likely and would wreak havoc on Missouri's economy, regardless of the outcome.

8. If this risky experiment fails, it can't easily be fixed, doing lasting damage to our state. Because the state Constitution restricts the Missouri Legislature's ability to raise taxes, the cuts can't be overturned once implemented – even if lawmakers realize they made a mistake.

9. It could make it more expensive for Missouri to fund road construction and other projects. Credit rating agencies are likely to frown on the tax cuts, which could hurt Missouri's credit rating and boost the interest it must pay to borrow money to fund major projects.

10. It would pressure localities to raise property taxes. Cuts in state funding for services would increase pressure on localities to make up the difference through higher property taxes. At least 65 counties in Kansas have increased local levies since the state's tax cuts. On average, states without income taxes have property taxes 6-10% higher than the national average, and sales taxes 16-17% higher.

11. Missouri already has low taxes and further cuts are unnecessary to make it economically competitive. University of Missouri research ranks Missouri's taxes at or among the lowest compared to its eight neighboring states. Even the Tax Foundation, an anti-tax group, ranks Missouri as the 16th best for business tax climate, easily surpassing its neighbors.

12. Kansas has struggled since its tax cut. Since their tax cuts took effect, Kansas is struggling to fund local schools and tuition for some public colleges increased by 9% in one year. The state is cutting services even through it increased its state sales tax, and local communities are increasing local taxes to try to make up for some of the state funding cuts.