HISTORIC TAX CUT FOR ALL MISSOURI TAXPAYERS

House Bill 253 (2013)

"A tax cut means higher family income and higher business profits and…more revenues."

President John F. Kennedy

September 18, 1963

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What is House Bill 253?

House Bill 253 was passed by the Missouri General Assembly during the 2013 legislative session. Because Governor Jay Nixon subsequently vetoed the bill, the bill will be considered at the annual veto session of the General Assembly on September 11, 2013. If a two-thirds majority in the House and Senate approve, they can override Governor Nixon's veto and enact the law.

The bill would:

- Enact the first tax cut for ALL taxpayers since 1921;
- Simplify the state's sales tax code and remove loopholes that allow internet retailers outside Missouri to avoid collecting Missouri taxes on sales to Missouri residents;
- Encourage tax compliance by providing a short amnesty period for delinquent taxpayers to "catch up" on their delinquent tax liability in exchange for future compliance with all Missouri tax laws; and,
- Reduce paperwork for small employers by allowing those with less than $100 in withheld tax per quarter to file withholding tax returns once per year, instead of every quarter.

Tax Cuts Explained

The tax cuts allowed in the bill would give a tax break to EVERY Missouri taxpayer, including employer taxpayers.

Individual and corporation income tax rates would be reduced, but only if the state has a very large increase in tax collections. In fact, the state must collect at least $100 million more than the highest amount collected in the previous three years before each step of income tax rate reduction. These tax rate reductions are phased in over 10 years in which the state has this extraordinary growth in tax revenues. In essence, the state would share a portion of tax revenue windfalls with the taxpayers that paid the taxes in the first place.

The tax rate for individuals would be cut by one-half percent over 10 years of such excess revenues. If the federal government enacts a law allowing collection of state sales taxes on internet sales, the income tax rate would be reduced by an additional one-half percent for individual taxpayers right away. Opponents of the bill claim this additional tax rate cut would allow taxpayers to apply for refunds of taxes paid in years prior to passage of the bill, but this is simply not true. The Missouri Constitution prohibits lawmakers from passing any law that is

retroactive, including reductions in tax rates. But the lower tax rates could be available as early as the 2013 tax year, if Congress passes the internet tax act before December 31, 2013. Based on publicly available press coverage of statements made by leaders in the U.S. House, it is unlikely this measure will pass in time to allow this additional tax cut in the 2013 tax year.

In addition to the reduction in tax rates, taxpayers that make less than $20,000 per year would be entitled to a new $1,000 exemption on their income tax return, resulting in a tax break of about $60 per taxpayer.

Employer taxpayers would also receive a cut in their tax bill, allowing them to reinvest the savings in hiring additional people, increasing pay for existing workers or investing in new equipment or other business needs. For the first time, small and mid-sized employers would receive an income tax break. These taxpayers often are unable to take advantage of any tax credits or special tax breaks and rarely receive the benefit of any tax cuts. Owners of small businesses, partners in partnerships, shareholders in S corporations and other flow-through entities would deduct a portion of their business income when calculating their income tax liability. In tax year 2014, a ten percent deduction would be allowed. In tax year 2015, a twenty percent deduction would be allowed, and so forth until the business income deduction reaches 50% in tax year 2018.

The income tax rate for employers reporting taxes as corporations would be reduced by a total of 3% over 10 years of excess state revenues as explained earlier in this section.

Why Cut Taxes?

Tax Cuts Eventually Produce More Government Revenue

The idea that cutting tax rates can actually produce more revenue has been promoted for a very long time. Former President John F. Kennedy raised eyebrows among leaders in the Democratic Party when he promoted the idea.

Nearly 50 years ago, in a radio and television address broadcast on September 18, 1963, then-President Kennedy said, “A tax cut means higher family income and higher business profits and a balanced federal budget. Every taxpayer and his family will have more money left over after taxes for a new car, a new home, new conveniences, education and investment. Every businessman can keep a higher percentage of his profits in his cash register or put it to work expanding or improving his

business, and as the national income grows, the federal government will ultimately end up with more revenues." [i]

He was later joined in that belief by Former President Ronald Reagan, who took bold steps to cut taxes and the economy responded. And even later, Former President George W. Bush cut taxes three times in an effort to help the national economy.

The State of Kansas recently enacted state income tax cuts. State income taxes were eliminated completely for flow-through entities like S corporations, partnerships, LLC's, etc., and other taxes were reduced effective January 1, 2013. Leaders in the Kansas City area on the Missouri side of the state line and many in Kansas said this tax cut would be devastating to the state's ability to provide essential services.

But as Fiscal Year 2013 ended, after the tax cut had been effective for six months, the Kansas Department of Revenue issued a statement[ii] that Kansas ended the year with $86.6 million more than estimates projected, $159.6 million more than the state had taken in during the previous fiscal year. Tax receipts for June alone beat monthly projections by $25.1 million. Because most of these entities pay estimated taxes on a quarterly basis, and the first two quarterly payments had been received at this point in time, a majority of the revenue reduction due to eliminating the income tax on flow-through entities for half of the year had been realized. Yet the state experienced increased revenues over the previous year when the tax rates were higher.

Lower Taxes Spur Job Growth

Lower taxes allow employers to reinvest in their local economy by hiring more people.

The Bureau of Labor Statistics issued regional state employment numbers for June 2013[iii]. Comparing these numbers with June 2012, we found ten states with a lower top corporation income tax rate than Missouri had a higher percentage increase in the number of jobs than Missouri for this period. Nine states with lower top individual income tax rates than Missouri had a higher percentage of job growth than Missouri for the same period. In fact, four states (Texas, North Dakota, Utah, and Washington) had a higher percentage of job growth and lower top corporation income tax rates, lower top individual income tax rates, and lower unemployment rates than Missouri.

Employers added nearly two million net new employees to the payroll in June 2013 over the number employed in June 2012. More than a third of these jobs were added in states with

lower top rates on individual and corporation income than in Missouri. The state creating the most new jobs over this period was Texas, which has no personal income tax and a low margins tax instead of a corporation income tax. Texas added more than 300,000 jobs during this period.

Closer to home, we are seeing similar results from the tax cuts in Kansas. A report[iv] by the federal U.S. Bureau of Labor Statistics issued July 2, 2013, showed the Kansas City, MO-KS Metropolitan Statistical Area increased total non-farm employment by 9,500 jobs in May 2013 over that same number in May 2012. Interestingly, **all** of these net new jobs were created on the Kansas side of the state line. The Missouri side showed no net growth. This helps prove the point that lowering taxes indeed affects job creation in a positive way. The increased state revenues resulting from these new jobs contributed to Kansas positive tax revenue statistics for the first half of 2013.

What Does It Cost?

Official estimates of the impact of House Bill 253 do not include projections of the amount of revenue that would be gained by the state to help offset the costs of the tax reductions. Intuitively, we know the tax cut will likely produce results in Missouri similar to those in other states that have reduced taxes. To date, no reliable estimates have been made as to the positive impact on Missouri revenues that could result. The graduated nature of the tax cuts and the fact that state revenues must increase in ten different tax years by a significant amount before each step of the tax cut make predicting the real impact of the tax cut extremely difficult.

That said, the official estimate of the cost of the bill that accompanies the bill throughout its passage contains information from several different sources. We have selected the estimates that appear to be the most reliable, based on the data available to the source and include those cost estimates in this report.

Federal Marketplace Fairness Act: Tax Cut is NOT Retroactive

House Bill 253 provides an additional and immediate one-half percent cut in the individual income tax rate if the federal Marketplace Fairness Act passes at the federal level and becomes law. This controversial legislation did make more progress this year than in years past because it passed the U.S. Senate. But U.S. House leaders are skeptical about its chances for passing that body. It is particularly unlikely that this bill will pass in time to impact the 2013 tax year or the state's current fiscal year, FY 2014. But because the possibility exists, we have shown the costs as a range: the lower end of the range expresses the cost without passage of the federal

act, and the higher end of the range indicates estimates of revenue loss if the federal act passes.

If the federal act passes, states would be given authority to aggressively pursue the collection of sales and use taxes on internet sales to customers within their borders. This will increase state and some local revenues and help offset the cost of the additional income tax cut that would be triggered by passage of the act. Missouri legislative leaders contemplated this increased revenue when deciding to include the additional income tax cut to help offset costs to Missouri taxpayers. Again, because taxes are not collected on most of these sales now, the amount of revenue gain is not able to be estimated. But all observers, including those opposed to House Bill 253, agree additional revenue *will be collected* by state and local governments. The only question is how much.

Although the tax cut that is triggered by passage of the federal Marketplace Fairness Act is effective immediately, it would not, as some have claimed, result in refunds for previous tax years.

Article I, Section 13 of the Missouri Constitution is part of the "Bill of Rights", the foundation upon which the people of Missouri grant power to the legislative and executive branches of government. The Missouri Constitution serves as a basis for all statutes. The Article states:

> ***"In order to assert our rights, acknowledge our duties, and proclaim the principles on which our government is founded, we declare:***
>
> ***Section 13. That no ex post facto law, nor law impairing the obligation of contracts, or retrospective in its operation, or making any irrevocable grant of special privileges or immunities, can be enacted."***

That section clearly states that the legislature has no power to enact a tax law that is "**retrospective in its operation**." Any change in tax rate would only be available to taxpayers beginning with tax years occurring after the effective date of the law.

The earliest effective date of this contingent tax cut is August 28, 2013. There is no provision allowing for refunds for previous tax years and, if one had been included, it certainly would have fallen under constitutional challenge. In practical terms, it is extremely unlikely that the Missouri Department of Revenue would even allow such refunds, given their lack of authority to grant them under the Missouri Constitution. Other laws that were enacted with clear legislative intent to be applied retroactively have not been applied in such a manner, presumably because of this constitutional limitation.

Opponents of House Bill 253 have issued statements claiming the legislature has enacted retrospective legislation in the past, but a check of all of the listed bills shows none of these acts were retroactive nor did they allow taxpayers refunds for three previous years, as the opponents claim would be the case with this new tax cut.

One example of a situation where all parties wanted to enact a retroactive law, but could not, was the newspaper sales tax issue in 1990. The Supreme Court issued a decision that a Missouri Department of Revenue (DOR) regulation exempting the sale of newspapers was invalid because there was no statute exempting the sale of newspapers. The decision meant the DOR should have been collecting sales tax on sales of newspapers, but because of the regulation, no sales taxes had ever been collected. To make matters worse, the DOR was in the unenviable position of potentially having to collect back sales taxes on these sales and there were no records by many of the sellers upon which to base the tax – not to mention the public uproar that would have ensued. Everyone wanted to exempt these sales, but the constitutional prohibition against passing a retroactive law and against forgiving taxes prohibited such legislation. In the end, a very complicated statute was passed that provided the state would not enforce collection of the taxes if the taxpayers agreed to not pursue refunds and to collect the sales taxes prospectively. The wording of the bill (section 144.220, subsection 4, House Bill 1554, effective June 12, 1990) was carefully crafted to avoid a conflict with these two constitutional prohibitions.

In more recent memory, an attempt to make a tax provision retroactive was not allowed by the DOR. House Bill 1661, passed and signed into law in the 2012 legislative session, was intended to retroactively allow shareholders in S corporations and other flow-through entities the benefit of a tax deduction that was originally effective for all tax years beginning on or after January 1, 2011. Following passage of the original law, it was discovered the original law did not specifically apply to the operators of flow-through entities, so HB 1661 was filed to clarify the intent of the legislature. Even though the plain language of the statute would apply this change retroactively, the constitutional provision does not allow prospective application of the changes made in the bill. The DOR responded with a note in the instructions for the form that implements the deduction, form MO-NJD, denoting the change made by HB 1661 was effective August 28, 2012, meaning the bill was not applied retroactively.

In the case of House Bill 253, the rate would simply be lowered for the current tax year and all future tax years and the law would not be applied retroactively. For the purposes of this report, we will assume that the constitutional prohibition against applying this tax change retroactively will stand and there will be no impact to state revenues from fictitious refunds for previous years.

Cost in the Current Fiscal Year – FY 2014

With the foregoing in mind, we will estimate the cost of the tax cut plan using data from the official cost estimate prepared by state officials based on data supplied from a variety of sources.

Revenue loss resulting from all individual income tax reductions was estimated by the University of Missouri, Economic and Policy Analysis Research Center (EPARC)[v]. The estimate included all individual income tax reductions in the bill, including: the Business Income Deduction; additional $1,000 personal exemption for individuals with income less than $20,000; and reduction in the personal income tax rate. This is a reliable source because the EPARC receives the actual income tax data from the state and provides estimates based on this actual data. The EPARC estimated a loss in state revenues of $446.5 million in the first year of the tax cut, if the federal Marketplace Fairness Act is passed. Without passage of the federal act, the loss for the first year is estimated at $102.3 million. Assuming this loss would be effective for the 2014 tax year, impact to state revenues in the first fiscal year would result from a reduction in payment of estimated taxes and a reduction in withholding taxes. The state Fiscal Year 2014 ends June 30, 2014.

Withholding and estimated taxes account for 88% of individual income tax receipts based on collection data published by the Missouri Department of Revenue. These payments are equally divided between four quarters. If it is assumed these reductions would affect state revenues with the first two quarterly payments due in 2014 for both of these taxes, the amount of revenue loss would be as follows:

Individual Income Tax Revenue Loss

- **Without passage** of the federal Marketplace Fairness Act: 88% of $102.3 million = $90 million X 50% (first two payments only) = **$45 million**
- **With passage** of the federal Marketplace Fairness Act: 88% X $446.5 million = $393 million X 50% (first two payments only) = **$196.5 million**

Corporation income tax revenues were also estimated by the EPARC, but more recent data was published by the Missouri Department of Revenue[vi] and the amounts were found to be very similar. For the purposes of this study, we will use the Missouri Department of Revenue figures although the differences are not significant. Corporation income tax revenues in FY 2012 were $502 million, less $157 million in refunds, resulting in net corporation income tax revenue of $345 million in FY 2012. Like individual taxpayers, corporations also make advanced payments on their tax liability through declaration (DCL) payments. Approximately 60% of corporation

income tax revenue is collected through DCL payments. The first year of the tax cut, the corporation income tax rate would be reduced by .3%, resulting in a 4.8% reduction in state revenues from this source. Our calculation of the revenue loss for FY 14 is as follows:

Corporation Income Tax Revenue Loss

$345 million net corporation income tax collections before reduction X 4.8% reduction in the first fiscal year = $16.6 million first full year.

- $16.6 million full year impact X 60% received through DCL payments = $9.94 million. Because only the first two DCL payments will be received in FY 14, the impact is 50% of this amount: $9.94 million X 50% = **$4.97 million**

State Tax Revenue Surplus from FY 2013 Available for FY 2014

According to the Office of Administration of the State of Missouri[vii], the state finished the fiscal year 2013 with $339 million more than estimated and $740 million more than FY 2012. The $339 million should help offset any cost of this proposal in FY 2014. After deducting the costs of the tax cuts, the state would still have excess revenues of $289.03 million if the federal Marketplace Fairness Act is not passed by December 31, 2013; or $137.53 million if the federal Marketplace Fairness Act is passed by Congress by December 31, 2013.

Combined Revenue Impact in FY 2014

Total loss to state revenues for FY 2014, not including any additional revenues resulting from increased economic activity or from improved collection of taxes on internet sales, would be as follows:

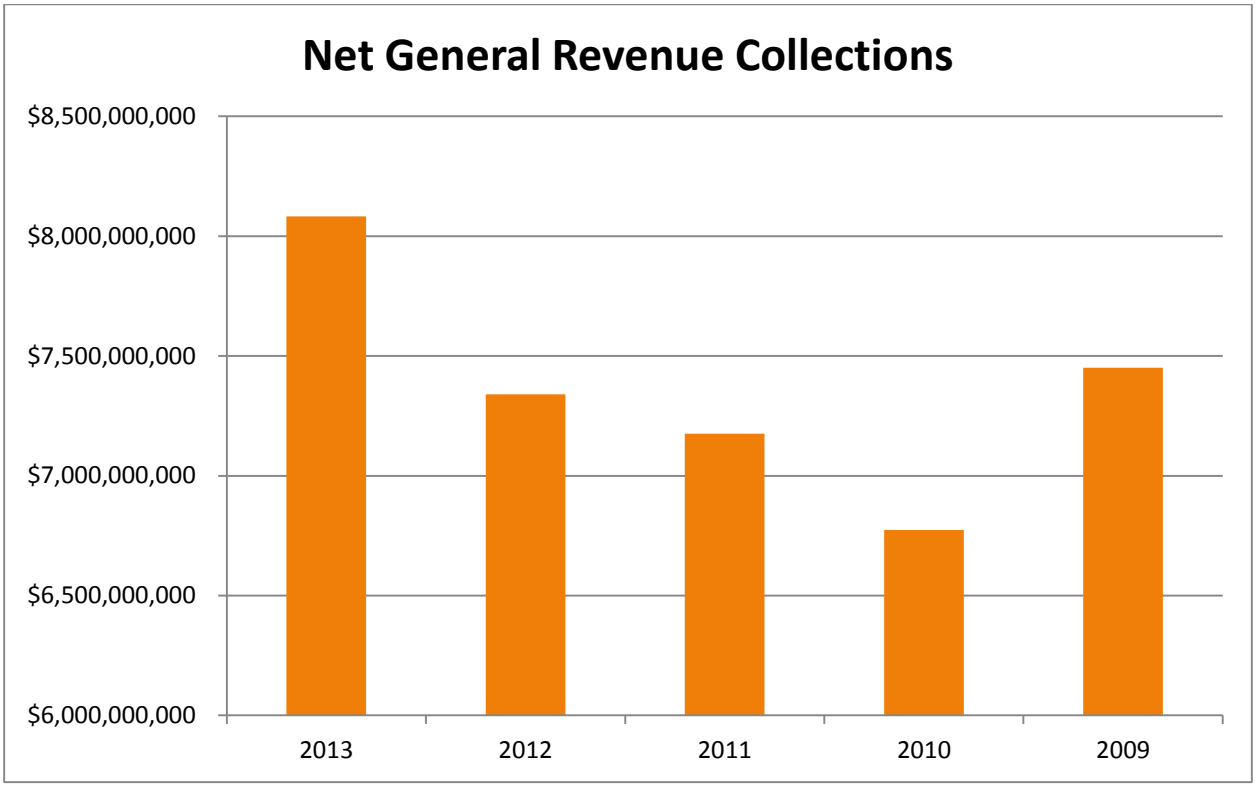
- **Without passage** of the federal Marketplace Fairness Act: $45 million (individual income tax reduction) plus $4.97 million (corporation income tax reduction) = **$49.97 million in FY14 revenue loss. After applying the $339 million surplus from FY13 = $289.03 million remaining surplus;** or,
- **With passage** of the federal Marketplace Fairness Act: $196.5 million (individual income tax reduction) plus $4.97 million (corporation income tax reduction) = **$201.47 million in FY14 revenue loss. After applying the $339 million surplus from FY13 = $137.53 million remaining surplus**.

Cost in Future Fiscal Years

The remaining cost of tax cuts enacted in tax year 2014 that will not be realized by the state in the state's FY 2014 will affect the 2015 fiscal year. Some of the cost of the 2015 tax year will also be experienced in FY 2015 and the remainder in FY 2016, and this will continue to happen every fiscal year. This is simply a timing issue.

For purposes of this study, our calculations show, and we will assume, the overlapping of the tax years with the fiscal years will cause only a modest change in the estimated impact for FY 2015 and future fiscal years.

Estimating the cost of the plan is complicated because the majority of the cost is based on a requirement that state revenues increase by at least $100 million more than the highest level of collections for the previous three years. These conditions will not be met every year. In fact, our analysis shows since 2008, this "trigger" would have been met only once – in FY 2013.[viii]



Two parts of the tax cut plan are not dependent on the revenue requirement: the business income deduction for S corporations and flow-through entities; and the additional $1,000 personal exemption for taxpayers with less than $20,000 in adjusted gross income. Both of these provisions are effective beginning with the 2014 tax year.

Officials at the Missouri Department of Revenue reported 813,542 Missouri taxpayers would be able to claim the $1,000 personal exemption, based on 2010 return data[ix]. This would result in a revenue loss of about $48.8 million per year, calculated as follows:

$1,000 personal exemption X 6% tax rate = $60 X 813,542 taxpayers = **$48.8 million**

The business income deduction is estimated to cost the following amounts, as the deduction is phased in, beginning in tax year 2014[x]:

Tax Year 2014: **$29.5 million**

Tax Year 2015: **$57.9 million**

Tax Year 2016: **$85.2 million**

Tax Year 2017: **$111.3 million**

Tax Year 2018: **$135.8 million**

The combined impact of the business income deduction and the increased personal exemption for individual taxpayers is as follows:

Tax Year 2014: $29.5 m business income deduction + $48.8 m = **$78.3 million**

Tax Year 2015: $57.9 m business income deduction + $48.8 m = **$106.7 million**

Tax Year 2016: $85.2 m business income deduction + $48.8 m = **$134 million**

Tax Year 2017: $111.3 m business income deduction + $48.8 m = **$160.1 million**

Tax Year 2018: $135.8 m business income deduction + $48.8 m = **$184.6 million**

The cost of these two provisions will be approximately $184.6 million for tax years 2018 and subsequent years.

As discussed earlier, it could be a very long time before the remaining rate cuts for individual and business taxpayers are implemented. These tax cuts are dependent on at least $1 billion in revenue growth over a minimum 10 year period. When fully phased in, the cost of all of the tax cuts in the bill may be calculated as follows:

Individual Income Tax Reductions

(Business income deduction, personal exemption, individual income tax rate cut)

	Without Marketplace Fairness Act (MFA)	With MFA
Business income deduction:	$135.8 million	$135.8 million
New personal exemption:	$ 48.8 million	$ 48.8 million
Individual rate reduction:	$323.5 million	$664.5 million
TOTAL INDIVIDUAL TAX CUT:	**$508.1 million**	**$849.1 million**

Corporation Income Tax Reduction

	Without Marketplace Fairness Act (MFA)	With MFA
Corporation rate reduction:	$165.6 million	$165.6 million
TOTAL CORPORATION TAX CUT:	**$165.6 million**	**$165.6 million**

Combined Impact of Tax Cuts When Fully Phased In

	Without Marketplace Fairness Act (MFA)	With MFA
STATE REVENUE REDUCTION:	**$673.7 million**	**$1.0147 billion**
MINIMUM REVENUE GROWTH:	**$1 billion**	**$1 billion**
NET RESULT TO STATE FUNDS:	**$326.3 million surplus**	**$14.7 million loss**

Cost of Inaction

If Governor Nixon's veto of this tax cut legislation is allowed to stand, the state will experience a loss of revenue resulting from taxpayers that choose to relocate to another state with a more favorable tax environment for their companies. For S corporations and other flow-through entities whose owners or shareholders live in Kansas and that are profitable, particularly those located in the Kansas City region or in Joplin, a short move across the state line into Kansas

could save them 6-7% per year[xi]. The move would come at little cost as the company's employees would not need to move, the advertising area and customer base would all remain the same. Only the business location would change, saving the operators of that business all of their individual income tax liability. This will be attractive, particularly to highly mobile businesses that are in the early stages of development. Incidentally, this is also the type of business that is creating jobs.

As companies make a choice to move out of Missouri, the state revenue that was collected from these companies (and potentially their owners/shareholders) will create a loss of revenue. There is no accurate data that may predict the amount of this revenue loss, but there will be a loss to state and local revenues resulting from these business relocations.

In addition to existing businesses moving to other more tax-favorable states, Missouri will also miss expansion and location opportunities from companies that are not yet located in Missouri. These companies often do preliminary research into potential sites and narrow down their list of potential sites before contacting economic development officials. In other words, we will not know the number or value of opportunities for expansions and new businesses that we may otherwise have secured, if we do not set Missouri on a path to reducing the tax burden on employers.

Potential Impact on State Bond Rating Based on Flawed Assumption

Standard and Poor's Rating Services, Moody's Investor Service and Fitch Ratings all issued letters in July, 2013, suggesting a possible downgrade of Missouri's AAA credit rating if the veto of House Bill 253 is overturned by the Missouri Legislature. However all three rating agencies based this potential downgrade on the fictional assumption that taxpayers would be entitled to refunds for tax years prior to the effective date of House Bill 253 if certain conditions were met.

Specifically, the rating agencies stated they based their statements on assumptions by state officials that, should the federal Marketplace Fairness Act pass and the income tax rate is reduced by one-half percent, taxpayers would be entitled to refunds for three previous tax years. That assumption is legally flawed.

In fact, refunds for previous tax years would not be allowed under the Bill of Rights of the Missouri Constitution. That section specifically prohibits retroactive application of the tax cut to previous years because it prohibits any law that is "retrospective in its operation" (see more thorough discussion in a foregoing section of this report).

Following the veto session in September 2013, it is our hope that the state will provide this clarification to the rating agencies so they may evaluate the state's credit rating based on application of the law as required by the Missouri Constitution.

Problems Created by Streamlined Sales Tax Language Easily Fixed

First and foremost, the problems with the Streamlined Sales Tax language may be fixed with a regular bill filed and passed in the 2014 legislative session before the changes take effect in 2015. In fact, legislators and backers of House Bill 253 may call for an outright repeal of all the changes made by the amendment.

Governor Nixon requested language changing the Missouri sales and use tax laws to comply with a multistate effort aimed at collecting sales and use taxes on internet sales in his Executive Budget for FY 2014 and in his "Missouri Budget and Legislative Priorities Fiscal Year 2014."

That language is called the "Streamlined Sales Tax Agreement" and represents the work of state tax administrators to simplify their tax laws to encourage voluntary compliance with each state's tax laws. State tax officials also hope that if compliance with each state's laws is simple enough, Congress may pass a bill like the Marketplace Fairness Act, allowing states to be more aggressive in collecting taxes from sellers located outside their state borders.

Missouri has one of the most complicated sales tax laws in the country. Because of the complexity of Missouri tax laws, the changes necessary to comply with the Streamlined Sales Tax are numerous. In fact, a nearly 200 page amendment to our statutes is necessary to comply with the standard.

Beginning three sessions ago, officials from the Missouri Department of Revenue began working with stakeholders to refine these amendments. Legislators and stakeholders regularly rely on the expertise of officials at the Missouri Department of Revenue on tax matters to be sure new legislation is technically correct. Language was filed to implement the Streamlined Sales Tax changes in the 2013 session.

Following the Governor's request, these changes were included in House Bill 253. In fact, representatives of the Missouri Department of Revenue testified in support of the same language that was included in HB 253 in a House hearing.

After House Bill 253 was passed into law, a technical mistake was found that would have inadvertently voided the prescription drug sales tax exemption effective January 1, 2015.

Because of the delayed effective date of the Streamlined Sales Tax changes, there is ample time to fix this mistake before the change actually becomes law.

Conclusion

The responsible tax cuts included in House Bill 253 should become law. The bill provides a measured method of using the growth in state revenues to reduce the taxes of all Missouri taxpayers. While some amendment to the statutes to fix unintended consequences will be necessary, there is plenty of time in the 2014 legislative session to make such changes.

The state will lose revenue if state leaders do nothing to allow Missouri to remain competitive with other states that have reduced taxes and, in some cases, eliminated income taxes altogether on employers.

This legislation should be approved for the same reasons Governor Nixon approved phasing out the franchise tax in 2011. At the time, Governor Nixon issued a press release[xii] in which he said; "As Governor, my top priority is working with Missouri businesses to create jobs and move our economy forward, and the gradual elimination of this tax is another step in the right direction. Phasing out this burdensome tax will encourage businesses to expand their operations and create jobs in Missouri, boosting our economy and making our state more competitive for years to come."

Like all other states, Missouri needs to entice businesses to this state, and keep the ones we have already. The tax cuts included in House Bill 253 are not as drastic as tax reduction in other states. The tax cuts in House Bill 253 would allow for growth in funding for schools and necessary functions of state government, while allowing businesses and individuals to invest more into their personal and corporate lives, resulting a healthier state economy.

APPENDIX: REVENUE IMPACT SUMMARY

Combined Revenue Impact in FY 2014

Total loss to state revenues for FY 2014, not including any additional revenues resulting from increased economic activity or from improved collection of taxes on internet sales, would be as follows:

- **Without passage** of the federal Marketplace Fairness Act: $45 million (individual income tax reduction) plus $4.97 million (corporation income tax reduction) = **$49.97 million in FY14 revenue loss. After applying the $339 million surplus from FY13 = $289.03 million remaining surplus;** or,
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Combined Impact of Tax Cuts When Fully Phased In

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NOTES

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[i] *See http://www.democraticnationalcommittee.org/op/jfk.html.*

[ii] *Kansas Department of Revenue press release, "Kansas ends the fiscal year with $86.6 million more than projected," June 28, 2013.*

[iii] *U.S. Department of Labor, Bureau of Labor Statistics news release, "Regional and State Employment and Unemployment – June 2013," July 18, 2013.*

[iv] *U.S. Department of Labor, Bureau of Labor Statistics news release, "Kansas City Area Employment – May 2013," July 2, 2013.*

[v] *Official fiscal note, L.R. 0619-05, "Truly Agreed and Finally Passed SS for HB 253, June 24, 2013," page 25.*

[vi] *Missouri Department of Revenue, "Financial and Statistical Report, Fiscal Year Ended June 30, 2012," pages 8 and 16.*

[vii] *Missouri Office of Administration, Commissioner's Office press release, "State Releases Fiscal Year 2013 General Revenue Report," July 3, 2013.*

[viii] *See "State of Missouri, Receipts, Expenditures, and Transfers – General Revenue Fund" for June 30 of each fiscal year.*

[ix] *Official fiscal note, L.R. 0619-05, "Truly Agreed and Finally Passed SS for HB 253, June 24, 2013," page 20.*

[x] *Official fiscal note, L.R. 0619-01, "Perfected HB 253, April 10, 2013," page 10.*

[xi] *Companies moving from inside the Kansas City, MO, city limits to outside the city limits of Kansas City in Kansas would save 7% due to savings from the Kansas City Earnings Tax of 1%. Companies moving from outside the Kansas City, MO, city limits to Kansas would save 6%.*

[xii] *News release, "Gov. Nixon signs legislation phasing out corporate franchise tax, opening door for new investment and job growth in Missouri," April 26, 2011.*