

HCS HB 64 & 545 -- INDIVIDUAL INCOME TAXES

SPONSOR: Sutherland (Lipke)

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 8 to 2.

Beginning January 1, 2010, this substitute revises the Missouri individual income tax rate schedule, increases the dependency exemption to \$1,600 per dependent, and increases the federal tax deduction for the individual income tax from \$5,000 to \$7,500 for single taxpayers and from \$10,000 to \$15,000 for married taxpayers.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$0 in FY 2010, \$366,500,000 in FY 2011, and \$366,500,000 in FY 2012. No impact on Other State Funds in FY 2010, FY 2011, and FY 2012.

PROPOSERS: Supporters of House Bill 64 say that the bill will provide savings for all taxpayers across the board. The reduction or elimination of income tax is a time-tested, proven method of stimulating the economy. The income tax is the most progressive tax in Missouri. The elimination of tax brackets helps simplify our current complicated tax code. The fiscal note shows a \$102 million loss but doesn't show any of the positive impact. A reduction of taxes usually is followed by an increase in taxes collected because the cuts impact capital gains. The bill will provide incentives to Missourians and tax relief to individuals, small employers, and those organized as partnerships; however, it will not help corporations. Fifty percent of small businesses pay their taxes as individuals. Anything we can do to help our small businesses is a big help and will get us out of this recession.

Supporters of House Bill 545 say that the last time the dependency exemption was raised was in 1998 from \$400 to \$1,200. Two of Missouri's border states, Kansas and Illinois, have higher dependency exemptions than Missouri.

Testifying for HB 64 were Representative Lipke; Americans for Prosperity and Foundation; National Federation of Independent Businesses; Associated Industries of Missouri; and Taxpayers Research Institute of Missouri.

Testifying for HB 545 was Representative Smith (150).

OPPOSERS: Those who oppose House Bill 64 say that taxes should be adequate, fair, and sustainable. If the bill passes, it requires voter approval to reverse it; and tax revenue will need to be increased with a sales tax. Sales taxes hurt lower income

taxpayers over wealthier taxpayers. Missouri needs good schools and can't rely on local resources only.

Testifying against HB 64 was Missouri National Education Association.