



INCOME TAX REFORM

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THE PROBLEM: Missouri's economy has been stalled for almost two decades, as startup growth has slowed and entrepreneurs and taxpayers are leaving the state. Missouri is shrinking relative to other states and economies, ranking **48th out of 50 states** in real GDP growth between 1997 and 2015. Individual and corporate income taxes are destructive to the state's economic growth, productivity, and income, encouraging taxpayers to move their work or investments out of Missouri. This not only lowers economic output for the state, but also destabilizes revenue for state and local governments.

THE SOLUTION: *Reduction/elimination of income taxes.*

Lowering or eliminating income taxes will allow Missourians to increase their take-home pay, increase business investments, and encourage population growth through immigration.

THE OPPORTUNITY: Income tax reductions may be achieved in several different ways, both with and without "pay-for's." Reductions in tax incentives and spending can, for instance, provide the budgetary space to cut taxes. Whatever the pathway, reducing an obstacle to state growth and personal income growth should be a high priority if we want to jumpstart Missouri's economy.

KEY POINTS

- Missourians work hard for their money and deserve to keep what they earn.
- Income taxes penalize and discourage work.
- If you include the 1-percent earnings tax in our two biggest cities, Missouri has a top income tax rate of 7 percent, which is more than all but 17 states. Our top income tax rate equals or exceeds those of all but one of eight neighboring states.

REAL GDP GROWTH MISSOURI AND NEIGHBORING STATES 1997 TO 2015

Every one of Missouri's neighbors has outperformed it since 1997.

AREA	GROWTH*	RANKING
United States	2.0	N/A
Oklahoma	2.5	10
Nebraska	2.3	15
Iowa	2.0	22
Arkansas	1.9	23
Tennessee	1.8	29
Kansas	1.7	30
Illinois	1.2	41
Kentucky	1.2	42
Missouri	1.0	48

* **Compound annual GDP growth.**

Source: U.S. Bureau of Economic Analysis.

- A real reduction in individual income taxes raises take-home pay and encourages more consumption of Missouri goods and services, making Missouri more competitive with other states in the nation.

SHOW-ME INSTITUTE RESOURCES

Essay: [“The 49th State: Revisiting Missouri’s GDP Sector by Sector”](#)

Essay: [“Taxes Matter and They’re Too High for Missouri”](#)

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