By: Michael Rathbone

Facing a potential stampede of businesses heading across our western border, the Missouri Senate came one step closer to lassoing some of them back. The Senate Ways and Means Committee recently approved proposed legislation that would reduce individual and corporate income taxes by 1.5 percentage points. This is great to see. If a major tax cut bill can get out of committee, it has cleared a major obstacle toward becoming law.

My colleague Patrick Ishmael and I have written about the benefits for Missouri if corporate income taxes are cut. Considering that Senate Bill 26 (SB26) proposes reducing the corporate income tax, it seems the Senate Ways and Means Committee agrees with our assessment. Allowing businesses to keep more of their money will enable them to reinvest their earnings into expanding their facilities, hiring employees, or lowering their prices to consumers.

Patrick and I have also talked about the need for Missouri to respond to the Kansas tax cut. Lowering our tax rates will minimize the advantage that Kansas has over us and potentially keep Missouri businesses from moving across the border. With other states moving toward serious tax reform, it is encouraging to see Missouri move in that direction as well.
SB26 is not a perfect piece of legislation. Like the Kansas law, it does not include any alternatives to offset the lost revenue from the tax cut. A previous version of the bill included a hike to the state sales tax. Capping or eliminating economic development tax credits would also serve to offset some of the lost revenue. However, the perfect should not be the enemy of the good. The fact that the Senate has come this far in getting tax reform passed is encouraging and I hope some kind of tax cuts are enacted. Missouri cannot afford to wait.

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Michael Rathbone was a policy researcher at the Show-Me Institute. He is a native of Saint Louis and a 2008 graduate of Saint Louis University, where he earned a bachelor of science degree in biomedical engineering.

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