



Incremental Tax Reform: Don't Let the Perfect Be The Enemy of the Good

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[Last week](#) the Show-Me Institute released a new essay that discusses the importance of tax reform. Many of the ideas in the essay have appeared in state legislation this year and in previous years, but unfortunately, it remains unclear whether the two most prominent tax reform packages—one from the House and one from the Senate—will ever actually become law.

That doesn't mean that nothing should be done on taxes this year. In fact, a bill that would reform the state's corporate income tax, sponsored by Sen. Andrew Koenig, has emerged from the Senate and is now before the House for consideration. The bill, Senate Bill 674, represents good policy pursued [on a revenue-neutral basis](#), and while the legislation could be imagined as a "side car" to comprehensive tax reform plans, the bill itself is a strong standalone measure that would drastically reduce the state's corporate income tax rate.

Cutting the corporate income tax is a cause near and dear to my heart and, with my colleague Michael Rathbone, it was the subject of one of my first essays at the Institute in 2012. That essay dove deeply into the importance of corporate income tax reform and some ways to achieve it, drawing on [the broad academic consensus about the economic destructiveness of income taxes](#). To quote researcher Jens Arnold of the Organisation for Economic Co-operation and Development,

[a] stronger reliance on income taxes seems to be associated with significantly lower levels of GDP per capita than the use of taxes on consumption and property. Within income taxes, those on corporate income seem to be associated with lower levels of GDP per capita than personal income taxes. **In fact, corporate income taxes appear to be the least attractive choice from the perspective of raising GDP per capita.** [emphasis mine]

That's why SB 674, even on its own, is important. Thus, the concern here—and a concern shared by the Washington D.C.-based [Tax Foundation](#) —is not policy-specific, since the bill is a good one, but procedural. If SB 674 is amended in the House, chances are good that the bill would simply die as the legislative session comes to a close, since the Senate would have to reconsider it and time is obviously running out.

I think most reformers would want to see reform come all at once, and in truth, there is no reason why over the last two years that couldn't have happened on tax reform. But there is something to be said for methodical incrementalism, and I hope that serious consideration will be given to the subject of corporate income tax reform on its own terms as a springboard to larger reforms, passed this year or in the near future.

After two years of missed opportunities, it would be excruciating to see another opportunity for reform vanish at the end of this legislative session. I hope the House doesn't let this happen.

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