



Is Missouri's Business Tax Climate Competitive?

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How do Missouri's business taxes stack up against those of our neighbors? According to the [2019 State Business Tax Climate Index](#) by the Tax Foundation, Missouri's tax climate is more favorable than those of all its neighboring states. Missouri's nationwide ranking improved by one place from the previous year (from 15th to 14th), passing Tennessee for the first time. However, in many respects the Index paints an incomplete picture.

The Tax Foundation's rankings are a composite based on each state's corporate, individual income, sales, property, and unemployment insurance taxes. Missouri ranks in the top ten for three of the taxes (corporate, unemployment insurance, and property), but 25th for the remaining two (individual income and sales).

Despite the generally favorable ranking of Missouri's tax climate from the Tax Foundation, the [state's economic growth](#) continues to lag. In 2017, Missouri was ranked 37th among states with a paltry 1.1 percent real Gross State Product (GSP) growth rate, while the [average growth over the previous ten years](#) is even worse at only 0.48 percent. The tax climate is certainly not the only contributor to economic growth, but the difference in state rankings raises the question of whether the Tax Foundation's index may be missing something.

To evaluate the applicability of the ranking results to Missouri, it is helpful to consider what makes a business climate attractive to new businesses, and whether the index attempted to

capture those criteria. [Studies show](#) the main determinants of business climate are the tax and regulatory burdens each business must bear. From the outset, the Tax Foundation index does not measure regulatory burden, and also excludes most local taxes from their calculations. If the Index is missing several important components, should the state's Department of Economic Development be touting the [results](#) ?

The Tax Foundation's rankings offer valuable information about Missouri's business tax climate, but should not necessarily be the basis for future policymaking. If lawmakers are serious about improving Missouri's business climate, reducing the regulatory burden and reforming local taxes should be part of the discussion.

About the Author



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Elias Tsapelas earned his Master of Arts in Economics from the University of Missouri in 2016. His research interests include economic development, health policy, and budget-related issues.

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