



TESTIMONY

January 31, 2023

HOUSE BILL 816: CORPORATE INCOME TAX

By Patrick Ishmael

Testimony before the Missouri House Special Committee on Tax Reform

TO THE HONORABLE MEMBERS OF THIS COMMITTEE

Thank you for the opportunity to present this testimony. My name is Patrick Ishmael, and I am the director of government accountability for the Show-Me Institute, a nonprofit, nonpartisan, Missouri-based think tank that supports free-market solutions for state policy. The ideas presented here are my own.

Lately the state of Missouri has been in a tax-cutting mood, and that's a good thing. In a period of record surpluses, it's appropriate to investigate ways to return money to the public, especially when it's clear that some of their hard-earned tax dollars are not actually needed to carry out the necessary functions of government. Indeed, legislators must strike a balance between returning one-time windfalls and setting long-term tax policy that can support the service obligations the public expects,

including infrastructure, education, and public safety.

Along with the immediate practical considerations, there are of course long-term economic considerations that can and must be addressed through tax reform. It is clear from the economic literature that the most destructive tax for growth is the corporate income tax—followed, of course, by the individual income tax.¹

In a 2012 paper I co-authored with Michael Rathbone, *Cutting the Ties that Bind: End Missouri's Corporate Income Tax*,² we explored the literature on income taxes and proposed at

¹ Arnold, Jens. "Do Tax Structures Affect Aggregate Economic Growth? Empirical Evidence from a Panel of OECD Countries." Organisation for Economic Co-operation and Development, Economics Department Working Papers No. 643. Oct. 14, 2008.

² Ishmael, Patrick; Rathbone, Michael. *Cutting the Ties that Bind: End Missouri's Corporate Income Tax*. Show-Me Institute, November 2102. <https://showmeinstitute.org/publication/taxes/cutting-the-ties-that-bind-end-missouris-corporate-income-tax/>

ADVANCING LIBERTY WITH RESPONSIBILITY
BY PROMOTING MARKET SOLUTIONS
FOR MISSOURI PUBLIC POLICY

least one way to end Missouri's: by reducing the state's use of tax credits. Rather than pick winners and losers in the tax code, we propose general tax reductions. In this way, eliminating the corporate income tax would not only be good growth policy, but it would also reduce the incentive for rent seeking and special tax favors by narrow business interests. Everyone should pay the same income tax, and that income tax rate should be 0%. I am including a copy of this paper as part of my testimony.

House Bill 816 ratchets down Missouri's corporate income tax, which, while already relatively low compared to other states, should be made lower still.

As with reform of the individual income tax, the objective of corporate income tax reform should be its eventual elimination. Missouri policymakers need not wait on other states to lead in this policy area when it has the opportunity to lead itself. HB 816 represents one such opportunity.



5297 Washington Place · Saint Louis, MO 63108 · 314-454-0647
1520 Clay Street · Suite B-6 · North Kansas City, MO 64116 · 816-561-1777

Visit us:
showmeinstitute.org

Find us on Facebook:
Show-Me Institute

Follow us on Twitter:
@showme

Watch us on YouTube:
Show-Me Institute