



FREQUENTLY ASKED QUESTIONS ABOUT AMENDMENT 5

1. WHAT WOULD AMENDMENT 5 DO?

Amendment 5 would require the legislature to phase out the state income tax over time, with the pace of reductions tied to revenue-growth triggers. Amendment 5 would also allow lawmakers to reform Missouri's sales tax system, require that any sales tax changes that increase state revenues be used to reduce the state income tax on at least a dollar-for-dollar basis, require local governments to reduce other local taxes if changes to the sales tax increase local revenues, and prevent the income tax from being reinstated once eliminated.

2. WHAT DECISIONS WOULD AMENDMENT 5 LEAVE FOR FUTURE LAWMAKERS?

The amendment itself does not change the sales tax, make any goods or services taxable, or determine how quickly the income tax must be eliminated. The details of the revenue-growth triggers and any possible changes to the sales tax base would need to be established in statute through the normal legislative process.

3. WHY IS MISSOURI CONSIDERING THIS PROPOSAL?

Missouri has experienced slower population and economic growth than much of the country in recent decades. IRS migration data show that Missouri loses hundreds of millions of dollars in income to other states each year through domestic migration. Amendment 5 reflects an effort to reverse those trends by reforming the policies that affect where families and businesses choose to locate.

4. WHY DOES STATE TAX POLICY MATTER?

States are in a national competition for families, workers, businesses, and investment. States with no income tax, like Tennessee, have seen stronger population and economic growth than Missouri in recent decades. If Missouri hopes to improve its economic trajectory, examining what high-growth states are doing differently is a logical place to start.

5. WHY ELIMINATE THE INCOME TAX?

Decades of academic research conclude that taxes on income are more harmful to economic growth than taxes on consumption because they reduce the rewards for work, entrepreneurship, saving, and investment.

6. WHY DOES AMENDMENT 5 AUTHORIZE CHANGES TO MISSOURI'S SALES TAX SYSTEM?

Missouri's primary sources of tax revenue are income and sales taxes. If income tax rates are reduced over time, the structure of Missouri's sales tax system becomes increasingly important. Missouri's sales tax system was designed for an economy centered on the sale of physical goods, but consumers now spend a larger share of their earnings on services and digital purchases, leaving a system full of exemptions and carveouts that no longer reflect the modern economy. Amendment 5 would allow lawmakers to modernize that system while phasing out the income tax.

7. WHY DOES THE AMENDMENT CHANGE CONSTITUTIONAL LIMITS ON TAXATION?

Missouri's Constitution currently prohibits lawmakers from expanding the sales tax to goods and services that were not taxable in 2015. Amendment 5 would remove that restriction, allowing lawmakers to modernize the sales tax system. Separately, the 1996 update to the Hancock Amendment requires voter approval when lawmakers increase net state tax and fee collections beyond a certain threshold in a single year. Amendment 5 would also exempt new sales tax revenues from that threshold for five years, but only if any additional state revenue generated is paired with corresponding income tax reductions.

8. WOULD ELIMINATING THE INCOME TAX REQUIRE MUCH HIGHER SALES TAX RATES?

Amendment 5 does not mandate any future sales tax rates or require lawmakers to broaden Missouri's sales tax base. Broadening the sales tax base by taxing additional goods and services or by reducing exemptions and carveouts would affect the sales tax rates needed to raise a given amount of revenue. Any additional state revenue generated by those changes would be used to reduce income taxes, as required by the text of the amendment. Estimates projecting very high sales tax rates typically assume Missouri's current sales tax base remains unchanged and that the income tax must be replaced all at once. Amendment 5 makes neither of these assumptions.

9. HOW COULD LOCAL GOVERNMENTS AND TAXATION BE AFFECTED?

Missouri's local governments are among the most reliant on sales taxes in the country. If state lawmakers broaden Missouri's sales tax base, local sales taxes would apply to those newly taxable items as well. If those changes increase local revenue, Amendment 5 requires local governments to reduce other local taxes by an equivalent amount. Local officials and statutory enactments would determine whether those reductions come from property taxes, sales taxes, earnings taxes, or other local taxes.

10. COULD AMENDMENT 5 CREATE A HOLE IN MISSOURI'S BUDGET?

Amendment 5 is designed to prevent such a scenario. It requires income tax reductions to be tied to growth in state revenues, requires any sales tax changes that increase state revenue to be paired with offsetting income tax reductions, and, importantly, does not establish a fixed timeline for income tax elimination.

11. HOW IS AMENDMENT 5 DIFFERENT FROM THE KANSAS TAX CUTS?

Kansas reduced income tax rates immediately, created new tax preferences, and did not pair those changes with spending reductions or other offsetting measures. Amendment 5 takes a different approach on all three fronts. It phases out the income tax gradually, does not create new tax preferences, and requires any sales tax changes that increase revenue to be accompanied by corresponding income tax reductions.

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