



2010

masw

legislative update



January 28, 2010

Biggest Sales Tax Increase Ever!

Considered in Senate Committee

Apparently convinced that, in 60 minutes, Senators would learn all they need to know about the most substantial change in the fundamentals of our state tax system in 100 years, the Chair of the Governmental Affairs & Fiscal Oversight Committee allotted exactly that amount of time to the hearing on SJR 29 (of which he is the sponsor).

Several witnesses, on both sides of the issue, did not have the opportunity to address the committee and answer questions, MASW included. Like many of the others, we submitted written testimony.

Last year a similar proposal was heard in the Senate Ways & Means Committee, which is the panel whose job it is to consider changes in the tax code. That committee held the hearing over several meetings, so that everyone who had testimony to offer could be heard.

SJR 37, a very similar measure, was also heard today, although it was not posted on the hearing notice as required. HJR 56, the House version, is not yet scheduled for its hearing.

SJR 29 would repeal the state corporate and personal income tax, and increase the state sales tax by \$6 to \$8 billion to make up the difference. This is by definition a radical proposal – not one of the 50 states has every attempted anything remotely resembling this plan. Here is MASW’s written testimony...

I appear today as Executive Director of the Missouri Association for Social Welfare (MASW), a voice for social justice since 1901.

MASW is opposed to passage of SJR 29.

Enactment of this radical, untested revamping of Missouri’s tax structure will result in the biggest sales tax increase of all time.

SJR 29 relieves corporations making profits from the people and resources of Missouri of any responsibility to pay for the infrastructure and services that make doing business possible.

Missouri citizens, including low-income families, seniors on fixed income, and people out of work due to the terrible economy, will pay higher taxes so that corporations can pay none.

It strikes us as odd that, in a year when “ethics reform” seems to have bipartisan support in this building, that you would even consider an SJR of which one of the main selling points, according to its chief advocate, is that it will NOT impose a sales tax on the fees that special interest groups pay to their lobbyists.

The attached sample letter to constituents makes a number of points in opposition to the SJR – and is intended as satire, just to be clear. But all the facts contained therein I believe to be accurate. (Sample letter starts on page 2 of this Update...)

Good News from Your State Senator!

January 28, 2010

Dear Constituent,

I have some great news. Today I voted for SJR 29.

I almost didn't, because one of the opponents of the bill told us that special interests would have to pay a tax on the fees they pay their lobbyists.

I know you agree with me that it would be a sad day for our democracy when special interests were forced to pay a tax on lobbying.

Fortunately, the supporters of SJR 29 assured me, in writing, that special interests will NOT have to pay a lobbying tax. Here is what the lobbyist for the interest group "Americans for Prosperity" wrote to me and my fellow legislators last week:

*"Our first myth buster deals with a subject near and dear to the hearts of those who walk the halls of the Capitol and that is: **lobbyist or their clients will be required to pay a sales tax on their lobbying fee.**"*

After quoting from the text of SJR 29, the lobbyist assured us (in bold text, to make sure there is no misunderstanding of this most important point):

"It is clear that none of the resolutions require a business or political subdivision that hires a lobbyist to pay no sales tax on those professional services."

You might think that having assurances from the lobbyist for the interest group supporting SJR 29 that the bill will NOT result in a tax on the special interest groups that hire lobbyists – which is a real benefit to you, my constituent – is reason enough for me to vote FOR the bill.

But there are even more things in the bill that benefit you.

You will get to pay a sales tax on your prescription medications, a sales tax on your doctor visits, a sales tax on any fees you pay to professionals like lawyers, accountants, hair stylists, taxi drivers. You'll get to pay sales tax on the labor charge when your car is worked on, and when you pay the baby sitter or the person who mows your lawn.

This is especially good for you if you are a senior citizen on a fixed income. Today you pay no state income tax, but you get a check from the state at tax time as part of the circuit breaker program to offset the property tax on your house.

SJR 29 gets rid of the state income tax, so you won't pay it – you already don't pay it, but I'm sure you can see the benefit of not paying a tax you already don't pay.

The best part is you will no longer get your circuit breaker check, because we're getting rid of the state income tax system. In effect, you will get to pay your whole property tax under SJR 29, instead of getting part of it back from the state. I'm sure you see the benefit of that!

Plus, as I mentioned, you'll pay a sales tax on your prescription drugs, doctor visits, nursing home fees... well, the list goes on and on. A good deal if you're a senior citizen!

If, on the other hand, you are a working person, SJR 29 is good for you, too. The company you work for will no longer have to pay any taxes to the state. None.

Right now, the state collects about half a billion dollars from Missouri corporations via the business income tax. SJR 29 takes that burden off of them, so businesses can take full advantage of making profits in our state and not have to pay anything in taxes. I know you agree that helps you a lot!

Of course, since the state is already short on money, and SJR 29 is revenue neutral – that means the state will get the same amount of money – we'll just get it from different sources. In the case of the half billion dollars in taxes no longer paid by corporations, the state will now get that money from you.

I know you agree with me that you are much better off paying an extra half a billion dollars in taxes so businesses won't have to.

If you get laid off, you'll have the added benefit of knowing that when your former employer bought the paper and envelope they use to tell you you're laid off, they paid no sales tax on them. But when you buy paper and envelope to write and ask them to reconsider, you will pay sales tax – and a higher sales tax than we have on those same items today, before SJR 29.

You may think I am being overly generous in voting for a bill that does so many good things for you, but the way I see it, I am your servant.

Even if you don't get laid off, you'll be happy to know that when the bank and your other creditors buy the paper, envelopes and other office supplies they use to tell you that you owe them money, they will pay no tax.

But when you buy paper, envelopes, checks, pens – all the things you need to pay your bills to these same companies – you will pay sales tax (again, a higher tax than you'd pay today).

At first I couldn't believe our good luck, that you, my constituents, would get such a good deal under SJR 29, but the lobbyist for the interest group that supports the bill, assured me in writing that businesses would never pay sales tax on the materials they buy to send you bills and other helpful correspondence. Here's the direct quote from his letter:

"Here is what the bill says about transactions such as *lobbyist or any business transaction for that matter*:

"No tax shall be imposed under this section on any taxable property or service purchased for a business purpose in a trade or business..."

If you pay your bills on-line, so you don't use envelopes and so on, don't worry, because you still get the full benefit of SJR 29. The corporations that are demanding payment from you, when they pay for their computers and internet service, they will pay NO TAX. But when you buy your home computer and your internet service you use to pay those bills, you will pay the tax – and on your internet service, this is a brand new tax.

I know I promised I would never, ever vote for any new taxes, but this one has so many benefits for you, I just couldn't pass it up.

Oh, and if the corporation decides to sue you, they will pay no tax on their attorney fees. But when you hire an attorney to defend you against that suit, you will pay a brand new tax on attorney fees.

SJR 29 will also result in an economic miracle in Missouri. Businesses from all over will uproot the families of their executives, close their existing facilities, and build new factories and offices in Missouri.

You don't have to be an economist to realize that a businessperson would sell his current facilities, even at loss if he or she had to, in order to move to a state where everyone who works in that business gets to pay a high sales tax on prescription drugs and doctor visits.

But we did hear from economists employed by groups favorable to SJR 29, who explained that people would rather relocate to South Dakota than to Hawaii because of their different state tax structures. But that's pretty obvious, isn't it?

However, there is a lie being spread by opponents of SJR 29 I need to address with you. They claim most Missourians live fairly close to at least one other state, where the overall sales tax rate will be lower, and that charge no sales tax at all on prescription medications, doctor visits, professional services and so on. So these opponents claim Missourians would avoid the SJR 29 sales tax by going across the border to shop and get professional services like doctors, lawyers and hair stylists.

If that were true, it would mean the state of Missouri would go broke and be unable to keep the schools or the prisons operating.

But it's not true. First of all, not all that many Missourians live close enough to another state to shop there. Except for St. Louis, Kansas City, Joplin, St. Joseph, Cape Girardeau, Hannibal and Kirksville, I can't think of that many places.

Second, people will not drive (or in the case of Kansas City, walk) across the state line just because of a tax. Like me, I'm sure you see that people will move their families and their businesses half-way across the country because of a tax, but they would never drive a few minutes across a state line because of a tax.

I mean, that's pretty simple logic.

In closing, dear constituent, I have saved the best for last.

I voted for SJR 29, which completely changes our state tax system, creating a new system that no other state has, without knowing how much money it will produce or how high the rate will need to be.

I know one of the things you value in your elected representatives is the ability to vote for legislation without knowing what it exactly does.

Once the system has been in place, if it doesn't bring in enough money to keep the schools and the prisons in operation, we will set a new, higher tax rate.

You see, I did save the best for last. Whatever needs to be done once this new system is in place, **WE CAN TRUST THE GOVERNMENT TO FIX IT.**

And if there's one thing I stand for, it is that we can always trust the government to fix really complicated, really important things.

So that's why I voted for SJR 29.

Sincerely,

Your State Senator