



2010

masw

legislative update



March 19, 2010

Missouri's Tale of Two Versions of the Future

The Best Tax Overhaul

[HB 2034](#), sponsored by [Rep. Jeanette Mott Oxford](#), is the truly progressive tax overhaul



Rep. Oxford

plan known as Tax Justice for a Healthy Missouri which was developed by Missourians for Tax Justice, a coalition of which MASW is a proud, longstanding member.

In our testimony in favor of HB 2034, we noted

that, *"At our 109th Annual Conference last fall, our members adopted four policy priorities for 2010. Relevant to HB 2034 is our policy priority 'shared prosperity' which reads, in part, 'All people in Missouri should share in the prosperity of our society and pay their fair share of the cost of maintaining and enhancing the physical and human infrastructure that makes prosperity possible.'*

"By enacting a long-overdue restructuring of our state income tax system, HB 2034 would require those of us who make better-than-average income to "pay [our] fair share of the cost of maintaining and enhancing the physical and human infrastructure" that makes it possible for us to make that kind of income, and that protects our fiscal and human assets.

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The Worst Tax Overhaul

[HJR 56](#), sponsored by [Rep. Ed Emery](#), is the House version of the proposed amendment to the Missouri constitution that would repeal the personal and corporate state income tax, and supposedly replace all of the state revenue lost thereby with a new tax on services such as prescription medications and doctor visits, and increasing the current state sales tax on clothing, school supplies, appliances and other purchased goods.



Rep. Emery

MASW has published several pieces in opposition to the Senate version (SJR 29), so we would like to note the testimony of the [Missouri National Education Association](#) (MNEA), an organization that is a key partner of MASW in Missourians for Tax Justice.

"It is a proposed constitutional amendment which, if approved by a statewide vote, will replace the state personal and corporate income taxes, corporate and bank franchise taxes, existing state sales and use taxes and local earnings taxes with a greatly expanded and increased sales tax on most sales of goods and services. In a master-stroke of Orwellian deception..."

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Progressive Tax, from page 1

“HB 2034 will also reduce the taxes imposed by the state on those who make less than average incomes which, combined with the increased tax that will be paid by those of us nearer the top, will result in all Missourians more nearly paying what is indeed our fair share of the cost of the common good.

“In this time of the worst state fiscal crisis since the 1930’s, it is also worth noting that HB 2034 will produce more than one billion dollars annually in new state revenue. (And yet 60% of current taxpayers will see a net decrease in taxes).”

The House Ways & Means Committee conducted the public hearing on HB 2034 yesterday (3/18).

Missourians for Tax Justice (MTJ) in their testimony for the bill offered several important data points, including this:

“According to the **Who Pays** report, published by the Institute on Taxation and Economic Policy, when all Missouri taxes are totaled up, on average:

- Missouri families earning less than \$17,000 — the poorest fifth of Missouri’s non-elderly taxpayers — pay 9.6 percent of their income in state and local taxes.
- Middle-income Missouri taxpayers — those earning between \$31,000 and \$50,000 — pay 9.5 percent of their income in Missouri state and local taxes.
- But the richest Missouri taxpayers — with average incomes of \$1,170,600 — pay only 6.6 percent of their income in Missouri state and local taxes.”

Also testifying in favor of the bill: Missouri Impact, NAMI, LCFS, GRO, MNEA, ITEP, Child Day Care Assoc., Family Resource Center, MO Health Care for All, MO Jobs with Justice, and others.

No vote was taken by the committee.

Massive Sales Tax, from page 1

“In a masterstroke of Orwellian deception, proponents refer to this massive sales tax increase as the ‘Fair Tax.’

“The state needs a responsible and sustainable tax policy to fund investment in public schools and other vital services. Perversely, the so-called ‘Fair Tax’ proposal actually makes Missouri’s tax code profoundly less fair, less adequate and less sustainable.

“Missouri NEA strongly opposes this type of impractical, regressive tax change that will keep Missouri from maintaining the revenue it needs to invest in public schools, public higher education and other vital public services like healthcare.”

In addition to MASW and MNEA, others testifying against this largest sales tax hike ever were Partnership for Children, the Missouri Budget Project, AARP-Missouri, Catholic Charities, former state budget director Jim Moody, and many others.

No vote was taken by the committee.

Please contact members of the committee and ask for a YES vote on HB 2034, and a NO vote on HRJ 56.

[Sutherland, Mike](#), Chair
[Schoeller, Shane](#), Vice Chair
[Chappelle-Nadal, Maria](#)
[Ervin, Doug](#)
[Grill, Jason](#)
[Largent, Scott](#)
[McNary, Cole](#)
[Scharnhorst, Dwight](#)
[Still, Mary](#)
[Storch, Rachel](#)
[Tracy, Clint](#)
[Whitehead, Hope](#)

Squeezing More Blood from the Turnip

It is a mighty difficult argument to make, that employees of the state of Missouri are not already making significant sacrifices to help with the unprecedented free fall in state revenue.

Of the 50 states, the average salary of employees of our state ranks 50th. And there are 7,000 or so fewer of them to do the same amount of work (if not more) as there were at the dawn of this century.

But the administration is proposing, with apparent legislative support, to squeeze the last few drops of blood from this turnip.

The proposal is to take three paid holidays away from these lowest-paid state employees in the nation. That will save, on paper (but not in reality) maybe three million dollars or so.

Projected state revenue is half a billion dollars less than needed to fund next year's budget.

How did we get here?

Missouri's 2010 revenue projections have been reduced for the second time in three months. The state now expects to end the fiscal year on June 30, 2010 with a 9.6 percent decline in revenue from 2009.

"For the current fiscal year, the revised estimate is that net general revenue collections will decline to \$6.73 billion, a \$700 million decrease from fiscal year 2009 collections," according to State Budget Director Linda Luebbering.

This is the largest one-year revenue decline in Missouri's history.

Gov. Jay Nixon is asking legislators to eliminate three Missouri state holidays reducing the number of state holidays from 13 to 10,

the number that federal workers receive. This move is in an effort to cut back on the overtime pay that state employees receive for working holidays.

According to published reports in the St. Louis *Post-Dispatch*, state and local government workers in the U.S. average 11 holidays, while private sector employees average eight. In neighboring Illinois, state workers get 12 state holidays.

Nixon plans to eliminate the day after Thanksgiving, Lincoln's birthday (Feb. 12) and Truman's birthday (May 8) from the list of state holidays. In a speech to the Springfield Business Development Corp. on March 11, 2010, Nixon said every holiday costs the state about \$1.2 million.

Overall, by cutting the three state holidays the state will save \$3 million in overtime payment to workers employed at 24 hour state institutions. However, these saving are only a drop in the bucket toward the amount needed to balance the budget.

"It's a tough pill to swallow for labor unions," which provided significant support for Nixon's 2008 gubernatorial campaign, according to the *Post-Dispatch*. "Union leaders say the state's workers are among the worst-paid in the country, and cutting their benefits will increase turnover," the newspaper said.

Gary Gross, executive director of the Missouri Corrections Officers Association, told the *Post*, "We understand the financial crisis but we also don't think they're looking at all the right options. There are many other things that could be cut rather than trying to take benefits away from state employees."

Union leaders suggest Nixon instead raise revenue by reducing business tax credits and closing tax loopholes.

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Blood from Turnip, from page 3

The Columbia *Tribune* reported “[Rep. Chris Kelly](#), D-Columbia said everyone was ignoring the two ‘big gorillas’ in the room; education funding and tax increases.”

Although Kelly said he wasn’t endorsing a tax increase, he highlighted the fact that a 10-cent increase in the state’s cigarette tax, one of the lowest in the nation, would generate \$60 million in state revenue, an option Nixon and many state lawmakers don’t appear to be looking at.

The cuts outlined in Nixon’s overall budget plan add up to about \$125 million, however the projected shortfall in next year’s budget is \$500 million so hundreds of millions of dollars in further cuts will have to be made to an already inadequate state budget.

Over the next several years the financial situation for states across the country is not expected to improve much. States are facing \$55 billion in budget holes in 2011 and \$62 billion in 2012, according to the Congressional Budget Office’s February report.

The Harry Truman Response

The economy was even worse when Harry Truman was the chief elected official for Jackson County than it is today.

Truman did not run up the white flag of surrender. He did not say that government would have to cut back because times were tough. Like Franklin Roosevelt, whom he would succeed as President, Truman acted on the belief that in desperate times like these, government needs to do MORE.

Among the projects Truman championed when presiding over Jackson County was the passage of a bond issue which paid for construction of the magnificent county court house skyscraper in downtown Kansas City – construction started in 1933, in the teeth of

the Great Depression, and was completed within two years, helping revive the local economy.



Missouri seems to have lost this vision of using our government – the only thing that actually belongs to all of us – to boldly lead us out of the economic depths.

It would be sad to think we have abandoned Harry Truman’s legacy of greatness, but if we have, perhaps it is only fitting that his birthday no longer be a holiday for our state employees.

Or, our leaders could be bold, as Truman was, and go to the voters with a plan to revive the economy, with those at the top paying closer to their fair share of taxes.

While they’re at it, they could actually lower taxes for the 60% closer to the lowest income brackets – and still raise an additional one billion dollars (or more) of revenue to put Missourians back to work.

That would be HB 2034, Tax Justice for a Healthy Missouri (see more on page 1).

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Special thanks to Stephanie Pate, MSW practicum student at MASW, for presenting House Ways & Means testimony, and to Haileigh Harrold, MPA intern at MASW, for assistance with the Turnip article.