

Missouri's State and Local Taxes

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TAX:

Compulsory charge levied for
the support of government

If you meet the criteria, you
pay, whether you will benefit
from its use or not.

Fee and license:

- A charge for a good, service, activity
- Not compulsory: Do not have to pay if you do not participate
- To participate, you must pay
- **Fee** is dedicated to a specific use, a license might not be dedicated to a specific use

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Dedicated tax versus fee:

Some taxes go to a particular use.

Although both are for a particular activity, a fee is voluntary while a dedicated tax is compulsory.

The school tax is paid whether or not you attend school and can attend school without paying it.

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Tax versus fee

- Often difficult to distinguish between a tax and a fee.
- General public often calls a fee a tax and vice versa.
- 1991 court case about Hancock distinguishes between a user fee and a fee that is a tax in everything but name.
- Is gasoline tax a tax or a fee?

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Comparing Taxes

- Division of state and local responsibilities changes from state to state
- Similar taxes combined
- All state taxes treated as being paid by state residents, but in states with high tourism non-residents pay a lot of taxes
- Individual and business taxes are combined
- Cannot compare tax rates because the tax base is not the same from state to state

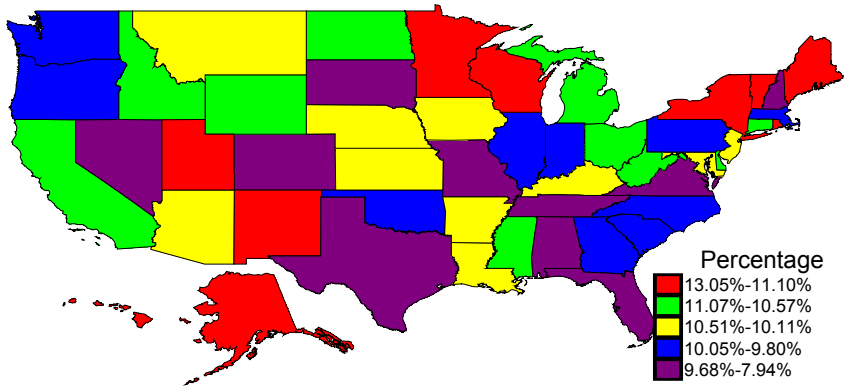
Comparing Taxes

- Tax as percentage of income—also called tax burden or tax effort
- Per capita—the average person
- Median—1/2 of the states are above and below
- Minimum and maximum

Evaluating a tax system

- Administrative simplicity
 - Taxpayer
 - Collector
 - Government
- Revenue adequacy
- Efficiency
- Competitiveness
- Equity

2000 Total State and Local Taxes as a Percentage of income



Missouri 2000 taxes as a % of personal income and rank

| | | |
|-------------------------|-------|----------|
| All state & local taxes | 9.29% | ranks 43 |
| Property | 2.21% | ranks 39 |
| Corporate income | 0.17% | ranks 46 |
| Individual income | 2.50% | ranks 28 |
| Sales | 3.78% | ranks 21 |

Rank of 2000 state and local taxes as a % of income and per capita income

| State | Tax rank | Per capita income rank |
|-----------------|-----------|------------------------|
| Arkansas | 29 | 47 |
| Kansas | 26 | 30 |
| Illinois | 33 | 9 |
| Indiana | 36 | 31 |
| Iowa | 23 | 33 |
| Missouri | 43 | 28 |
| Nebraska | 22 | 27 |
| Oklahoma | 35 | 41 |
| Tennessee | 49 | 34 |

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All state and local taxes, 2000

Tax as a Percentage of Personal Income

| | |
|----------------------------------|--|
| United States Average | 10.39% |
| Median | 10.31%-10.32% Kansas and New Jersey |
| Maximum | 13.05% New York |
| Minimum | 7.94% New Hampshire |
| Missouri Average And Rank | 9.29% 43 |
| Missouri in 1997 | 9.56% / 43 |

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State and local tax burden on families

| Income group | Average income | % of income paid in state and local taxes |
|--------------|----------------|---|
| Lowest 20% | (\$8,900) | 9.9% |
| Second 20% | (\$19,900) | 9.4% |
| Middle 20% | (\$32,900) | 9.4% |
| Fourth 20% | (\$52,800) | 9.5% |
| Top 20% | (\$132,745) | 8.8% |

Source: ITEP

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Regressive tax system:

Property

- Lower income pay property tax in their rent
- Lower income have a higher % of their wealth in homes rather than in intangible property, which is not subject to property tax

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Regressive tax system:

Sales Tax

- Lower income families spend a higher percentage of income on basic retail, which is taxed, than do higher income families, who spend on services that are not taxed
- Without food exemption, the sales tax would be more regressive

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Regressive state and local tax system

- The income tax is the only slightly progressive tax in the state
- Deduction for federal income tax paid makes it less progressive
- Without income tax, the state and local tax system would be even more regressive

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The **local tax** system of Missouri is very **regressive** because it does not include a progressive income tax