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Former State Budget Director Says Proposed Mega-Sales Tax Would Shift Tax Burden to Poor

January 27, 2011, JEFFERSON CITY, MO - A former state budget director under Republican Gov. John Ashcroft says a proposed mega-sales tax would shift more of the tax burden to lower and middle-income Missourians. The analysis by James Moody confirms concerns raised by the Missouri Catholic Conference that the proposed tax would unduly harm Missouri's working poor.

Moody projects that a tax rate of 15 percent would be required if the proposal is to replace all of the revenue generated by Missouri existing taxes and provide a prebate to offset the regressive nature of the proposed tax. Economists consider sales taxes to be regressive because they shift more of the tax burden to lower-income taxpayers.

On Jan. 24, Moody sent his analysis to Missouri State Auditor Thomas Schweich. The state auditor must prepare a fiscal impact statement for nine different versions of the proposed mega-sales tax. All of the proposals create a new sales tax — also known as a consumption tax — that would tax not just goods purchased but services rendered.

Supporters of the proposed tax are expected to eventually choose one of the nine initiatives to circulate to voters. If enough signatures are obtained, the mega-sales tax will be considered at the 2012 general election.

In his letter to the state auditor, Moody indicates that all nine initiatives are fundamentally flawed: "They have all calculated a rate that is too low in determining the real consumption tax rate, primarily because they have overstated the taxable base subject to the increased consumption tax."

Moody warns that adoption of any one of the nine initiatives would have dire consequences for the fiscal stability of state government: "We believe that a sound analysis by your office will reach the conclusion that we have reached — that is, all of these petitions are fiscally untenable. They will either bankrupt the state, or in the alternative, bankrupt the poor and the working lower and middle-income classes."

Mike Hoey, the executive director of the Missouri Catholic Conference, said the Moody analysis underscores why the mega-sales tax is harmful to ordinary Missouri taxpayers, including the poor: "The mega-sales tax proposals unjustly tax the working poor," Hoey said. "And if backers cap their tax rate at 7 percent, the mega-sales tax will not replace current state revenue. That will lead to catastrophic state budget cuts."

Hoey said essential services for the Missouri's most vulnerable citizens could be eliminated. He cited for special concern the Alternatives to Abortion program, in-home care for the indigent elderly and rehabilitation services for those with mental and physical disabilities.

For additional information contact the Missouri Catholic Conference at 573.635.7239.