COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5029H.02I
Bill No.: HJR 187
Subject: Taxation and Revenue - General; Constitutional Amendments; Taxation and Revenue - Income; Appropriations; Treasurer, State
Type: Original
Date: March 22, 2024

Bill Summary: This resolution proposes a constitutional amendment to impose an appropriation spending limitation and to establish the "tax reform fund" to be used to fund budgetary shortfalls, subject to an appropriation limitation, and allows for certain taxation changes based on revenue triggers, by general law.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	$0 or (More than $8,000,000)*	*** $0 or $14,840,491,922	*** $0 or less than $14,840,491,922
Total Estimated Net Effect on General Revenue	**$0 or (More than $8,000,000)***	***$0 or $14,840,491,922**	***$0 or less than $14,840,491,922**

* **Oversight** notes the potential fiscal impact of "(More than $8,000,000)" would be realized only if a special election were called by the Governor to submit this joint resolution to voters. All other impacts to state funds would be realized only if the joint resolution is approved by voters.
Oversight notes, currently, the state individual income tax rate (4.80% in TY 2024) is to be reduced in annual 0.1% increments (if certain triggers are met) until it reaches 4.5%. This proposal allows for additional (revenue growth dependent) 0.25% reductions of the individual income tax rate until the rate is reduced to zero. Upon elimination of the individual income tax, the proposed fund shall then be used to gradually reduce personal property tax. **Additional individual income tax rate changes and personal property tax rate changes could occur beyond FY 2027 (pending voter approval AND revenue growth triggers being met – those are not reflected in the table above). Oversight notes the impact would be significant.
***Oversight notes the potential savings to the General Revenue Fund are from cost avoidance if appropriation authority of the General Assembly is limited by this proposal (pending voter approval).

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Other State Funds*	$0	$0 or $12,025,486,269	$0 or $12,025,486,269
Tax Reform Fund	$0	$0 or Unknown	$0 or Unknown
Total Estimated Net Effect on Other State Funds	**$0**	**$0 or could exceed $12,025,486,269**	**$0 or could exceed $12,025,486,269**

*Oversight notes the potential savings to other state funds are from cost avoidance if appropriations are limited by this proposal (pending voter approval).

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Federal Funds*	$0	$0 or $23,684,322,789	$0 or $23,684,322,789
Total Estimated Net Effect on All Federal Funds	**$0**	**$0 or $23,684,322,789**	**$0 or $23,684,322,789**

*Oversight notes the potential savings to federal funds is from cost avoidance if appropriations are limited by this proposal (pending voter approval).

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☒ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	**$0***	**$0**	**$0**

*Potential costs and state reimbursements net to zero in FY 2025 if a special election is called.

FISCAL ANALYSIS

ASSUMPTION

Section 20.2 - Appropriation Spending Limits

Officials from the **Department of Revenue (DOR)** note this provision establishes a formula for determining the total moneys available for appropriation. It states that if the population of the state increases more than 2.5% in the preceding calendar year over the current budget calendar year the spending limit of the state will increase that same percentage.

It should be noted that the current state budget is on a fiscal year and in the prior fiscal year the budget is established, debated and adopted. This proposal does not state a source to use when calculating the population change required to determine the amount of money in the budget and requires the change be based on the calendar year. This proposal looks to make the budget be on a calendar year rather than fiscal year.

This proposal does not establish definitions for "spending limit" or "total moneys available for appropriation." Plus, it is unclear how setting the budget based on population rather than income received would work. DOR assumes an unknown impact from this proposal. DOR notes that changing all the department's computer programs to be on a calendar year rather than a fiscal year, would require additional costs. The costs at this time are unknown.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this section would limit the total budget based on Missouri population growth.

B&P notes the following issues with the proposed language:

- Population growth over 2.5% - The percent of moneys available for appropriation will be limited to the actual percentage of population growth. For example: if the "total moneys available for appropriation" is $50 billion and population growth is 3%, then the spending limit will be $1.5 billion ($50 billion x 3%).
- Population growth of 2.5% or less – The percent of moneys available for appropriation will be limited to 2.5%. For example: if the "total moneys available for appropriation" is $50 billion and population growth is 0.2%, then the spending limit will be $1.25 billion ($50 billion x 2.5%).
- Population measures – The proposal does not indicate which population measure should be used. B&P notes that the U.S. Census Bureau provides 1-year ACS population estimates, 5-year ACS population estimates, and intercensal (July to June) estimates.
- Undefined Terms:
    - The term "spending limit" is not defined. It is unclear whether this term means the current budget appropriation or should include supplementals appropriations for prior budget years.
    - The term "moneys available for appropriation" is undefined. B&P notes that the term is exceptionally broad and vague. Therefore, B&P assumes that it would encompass all state and federal funds as well as cash balances.

- Timing:
  - This proposal would take effect in January 2025. B&P notes that this is during the FY26 budget cycle. It is unclear whether the intent is to start the spending limit for FY26; however, the needed data would not be available.
  - The language requires the spending limit to be calculated using the most recent calendar year growth. B&P notes that population figures are available with a minimum of a one-and-a-half-year lag.
  - By the time calendar year 2025 population estimates are available, the FY26 budget would have already been enacted.

B&P notes that this limit applies to all spending sources, not just GR spending. Based on data published by the U.S. Census Bureau, Missouri's population has grown between 0.1% and 0.3% each year since at least 2010.

Officials from the **Department of Health and Senior Services** assume this provision limits the general assembly's ability to increase appropriation authority based on the increase of population in the State. This legislation could restrict the Departments ability to request additional appropriation authority for new Federal Dollars appropriated to the State, as well as responding to inflation in current programs.

Without the ability to increase appropriation, the Departments ability to respond to emergency situation such as Pandemics, Natural Disasters or Man made disaster could be restricted. Without sufficient appropriation authority funds received from Federal Partners may not be able to be utilized.

In addition, as inflation occurs, and no new ability to increase spending or utilization of funds the Department s ability to maintain current programs could be affected.

Oversight notes the following spending authority operating totals according to the 2024 Budget Fast Facts report:

General Revenue	$15,221,017,356
Federal Funds	$24,291,613,117
Other Funds	$12,333,832,071
TOTAL	$51,846,462,544

Oversight assumes if the population of the state increases by less than 2.5%, this resolution states the general assembly shall have a spending limit equal to two and one-half percent of the total moneys available for appropriation.

Based on the figures reported above, **Oversight** estimates the following proposed spending limits:

Fund	Current	2.5% Proposed Spending Limit	No longer able to be appropriated
General Revenue	$15,221,017,356	$380,525,434	$14,840,491,922
Federal Funds	$24,291,613,117	$607,290,328	$23,684,322,789
Other Funds	$12,333,832,071	$308,345,802	$12,025,486,269
TOTAL	$51,846,462,544	$1,296,161,564	$50,550,300,980

Oversight notes according to the US Census Bureau, the state population increased by approximately 0.31% from 2022-2023.

Oversight will show the proposed spending limit on appropriated funds as cost avoidance to the general revenue fund, federal funds, and various state funds, pending voter approval.

Oversight is unable to determine future growth for the state population and future available funds. Also, Oversight assumes if the state population declines, there would be no spending limit imposed under this proposal.

Oversight will show the potential cost avoidance as a range of $0 (not approved by voters) or the amount no longer appropriated estimated above beginning in FY 2026.

Section 27(c) - Tax Reform Fund

Officials from the **Department of Revenue (DOR)** note this proposal creates a Tax Reform Fund which is to be expended to help supplement a budgetary shortfall in the future. Starting July 1, 2025 (FY 2026) if the amount of money collected by the state exceeds the anticipated general revenue expenditures by more than $20 million, all the excess revenue over the $20 million is to be deposited into the Tax Reform Fund. This Fund will continue to receive all excess revenue until it reaches $500 million.

This proposal allows the General Assembly to appropriate money to this Fund to speed up the trigger of the individual income tax cuts. For fiscal note purposes only, DOR will assume no appropriation is made.

Once this Fund reaches $250 million and maintains that balance for at least another year in which more money is to be deposited, the General Assembly shall authorize a personal income tax decrease of at least one-fourth of one percent. The individual income tax rate is currently 4.8% and scheduled per SB 3 to continue to decrease until it reaches 4.5%. It appears the cuts based on revenue in the Tax Reform Fund will be in addition to the SB 3 cuts. The cuts based on the Tax Reform Fund will continue until the individual income tax rate is $0.

This proposal also requires that once the individual income tax rate reaches zero, the future rate reductions will get applied against personal property tax rates. Once the individual income tax is eliminated and all personal property tax is eliminated, this Fund will then be used to supplement budget shortfalls. It should be noted that personal property tax rates are handled by the County

Assessors and are not uniform county to county. Each county sets their own rate. DOR is not involved and is not sure how that portion could be implemented.

This amendment would all the general assembly to make any necessary laws to carry out the requirements of this proposal. Any additional statutory language to outline the process of implementation would identify the fiscal impact at that time.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this section creates the "Tax Reform Fund" within the state treasury. Beginning FY26, if the amount of net GR collections is $20 million or more than the "anticipated GR expenditures" then the excess amount of collections shall be deposited into the new "Tax Reform Fund." The new fund may receive up to $500 million in either excess GR collections or general assembly appropriations. B&P notes that the term "anticipated GR expenditures" is undefined. It is unclear whether this refers to the Governor recommended budget or the TAFP budget. In addition, it is unclear whether supplemental expenditures are included.

This article requires the general assembly to pass a statute requiring the individual income tax rate to be reduced by 0.25% or more. Such reductions shall be triggered based on funding within the "Tax Reform Fund" and additional surplus GR collections. B&P notes that the article does not specify an exact income tax rate reduction amount. The article only requires that at least one reduction of 0.25% or more happen. Reductions to the individual income tax rate(s) shall continue until the tax is eliminated.

The income tax rate shall be reduced in the calendar year following the fiscal year where the balance in the "Tax Reform Fund" is $250 million and net GR collections were at least $20 million greater than anticipated expenditures.

Monies in the "Tax Reform Fund" may be used to supplement the budget if GR collections decline in a year following a reduction to the individual income tax.

Once the individual income tax has been eliminated, the general assembly shall utilize the "Tax Reform Fund" to phase-out the personal property tax. B&P notes that this proposal does not specify how the personal property tax shall be phased out. B&P further notes that revenues from the personal property tax are distributed among local taxing entities. In addition, there is a constitutional statewide property tax, levied on all real and personal property in Missouri, for the Blind Pension Trust Fund.

Once both the individual income tax and the personal property tax have been eliminated, monies in the "Tax Reform Fund" may be used to stabilize the budget during a revenue shortfall.

Oversight notes this provision allows for the eventual elimination of individual income tax and then personal property tax once the individual income tax rate reaches 0%. Oversight notes the following revenues for each tax in 2023:

Income Tax - Individual	$9,984,743,121
Personal Property Tax	$1,910,124,084

Oversight notes this resolution allows for reductions of the individual income tax rate until the tax is eliminated. Oversight cannot determine if/when the proposed triggers will occur, therefore Oversight will show a range of $0 (not approved by voters/trigger not met) to an unknown negative impact beginning in FY 2026.

Oversight assumes the impact of the elimination of personal property tax would not occur until the full elimination of the individual income tax. Therefore, Oversight will not show this impact in the note.

Responses regarding the proposed legislation as a whole

Officials from the **Department of Social Services** note for all fiscal years beginning on or after July 1, 2025, if the amount of net general revenue collected, as defined under section 36(a) exceeds the anticipated general fund revenue expenditures for a fiscal year by twenty million dollars or more, each fiscal year that such surplus is realized, such surplus in excess of twenty million dollars shall be deposited into the tax reform fund, not to exceed five hundred million dollars. If the tax reform fund reaches and maintains a balance of two hundred fifty million dollars in a subsequent year where a surplus of twenty million dollars or more is realized, the general assembly shall authorize by general law a personal income tax decrease trigger of one fourth of one percent or greater. There shall be no cap on the number of reductions triggered under this subdivision and such decrease triggers shall remain in effect until the personal income tax is reduced to zero. Upon the reduction and elimination of personal income tax, the general assembly shall utilize the tax reform fund to gradually reduce and eliminate personal property taxes. After both personal income tax and personal property taxes are reduced to zero, the tax reform fund shall continue to collect revenue and shall only be used to supplement budget shortfalls following fiscal years where the general assembly enacted a tax reduction.

Modified Adjusted Gross Income (MAGI):

Officials from the **Department of Social Services** note the Family Support Division (FSD) determines eligibility for MO HealthNet using Modified Adjusted Gross Income (MAGI) for individuals that are not aged, blind, or disabled. Per 42 CFR 435.603(e) MAGI programs follow the Internal Revenue Service (IRS) tax code for federal income taxable income when determining what income and expenses are included in the eligibility determination. Therefore, any change in MO state income tax provisions will not affect the eligibility criteria for MAGI.

Blind Pension Fund (BP):

Officials from the **Department of Social Services** note the Blind Pension (BP) is funded from 0.03% of each $100 assessed valuation of taxable property. Reducing or eliminating personal property taxes will affect the revenue collected for the BP fund.

According to the 2023 State Tax Commission Annual Report, $28,982,662,730 of the $149,939,479,696 total assessed valuation for the State of Missouri comes from personal property. Therefore, approximately $8,694,799 [($28,982,662,730/100)*0.03] in property tax revenue is collected from personal property.
Due to the requirements for the tax reform fund to meet certain threshold amounts and then to first reduce the personal income tax to zero, it is unknown when or if the personal property tax will be reduced to zero.
Therefore, the fiscal impact to FSD is $0 -$8,694,799 when or if personal property taxes are reduced to zero.

Division of Youth Services (DYS):

Officials from the **Department of Social Services** note the Missouri State Statute Section 167.126, RSMo, allows a school district providing education services to a student who resides in another district but was placed in the district by the Department of Mental Health, Department of Social Services, a court of competent jurisdiction, or other placements as guaranteed by law, to bill the district of domicile an amount equal to the average sum produced per child by the local tax effort of the district of domicile. Missouri Division of Youth Services (DYS) is allowed to bill local effort per 167.126 RSMo, 163.073 RSMo and 162.740, RSMo. The result of not billing is that the educating school district would be subsidizing the education of non-domicile students at the expense of their own students. The amount of funds DYS receives from the Local Tax Effort through the Billback Program is up to $2-$3 million, depending on DYS youth population. If enacted, this legislation would create a significant fiscal impact to DYS.

Officials from the **Department of Mental Health** note this legislation would incrementally reduce personal income and personal property taxes to zero. County boards rely on personal property tax revenues to support the county's developmental disability resource board tax levies. County boards are the primary payer of tax-supported services that are not Medicaid eligible. Additionally, some county boards also support state share of match for Medicaid services. FY 2024 projections show SB 40 boards paying approximately $2.04M in Medicaid match payments for targeted case management and Partnership for Hope waiver. Any reduction or elimination of personal property tax funds would reduce Medicaid services or limit a county board from keeping up with inflationary growth. If county SB 40 boards can no longer support their Medicaid obligations, the Department of Mental Health (DMH) will need additional funding to support individuals accessing services using these dollars as state match.

DMH estimates the fiscal impact of this proposal to be FY 2025 GR (Unknown to $2,040,000), FY 2026 GR (Unknown to $2,040,000), and FY 2027 (Unknown to $2,040,000). In addition, DMH defers to OA-Budget and Planning for impact related to appropriations and revenue changes.

Officials from **Office of the Secretary of State (SOS)** assume, each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that

would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be $8 million based on the cost of the 2022 primary and general election reimbursements.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

For the FY25 petitions cycle, the SOS estimates publication costs at $60,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, the SOS reserves the right to request funding to meet the cost of the publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2025. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide general election is in November 2024 (FY 2025). It is assumed the subject within this proposal could be on this ballot; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2025.

Officials from the **Newton County Health Department** note this would create a severe negative fiscal impact upon the Newton County Health Department at such time that the state income tax and property tax decrease to zero unless this funding is made up in another area.

Officials from the **Department of Public Safety - Veterans Commission** defer to the **Office of Administration** for the potential fiscal impact of this proposal.

Officials from the **Callaway County SB 40 Board** assume a fiscal impact of an indeterminate amount.

Officials from the **State Tax Commission** have reviewed this joint resolution and determined that it may negatively impact revenues for school districts, counties, cities, fire districts and other local taxing jurisdictions supported by property tax revenues. The resolution creates a fund that would be used to eliminate personal property taxes if state revenues increase $20 million or more above the anticipated general revenue expenditures, which are limited in the bill. However, the taxing jurisdictions are required to absorb the cut in subsequent years resulting in revenue losses for years two and three.

Officials from the **Missouri House of Representatives** state due to conflicting information, they are unable to currently state an accurate fiscal impact.

Officials from the **Department of Public Safety - State Emergency Management Agency**, **Missouri National Guard**, **Department of Commerce and Insurance**, **Department of Natural Resources**, **Department of Corrections**, **Office of Administration - Administrative Hearing Commission**, **Department of Public Safety - Alcohol and Tobacco Control**, **Department of Public Safety - Fire Safety**, **Missouri Department of Agriculture**, **City of Kansas City**, **Lincoln County Assessor**, **Phelps County Sheriff**, **Branson Police Dept**, **Kansas City Police Dept**., **St. Louis County Police Dept**, **Missouri Department of Transportation**, **Missouri Senate**, **Department of Higher Education and Workforce Development**, **Department of Public Safety - Capitol Police**, **Department of Public Safety - Director's Office**, **Department of Public Safety - Gaming Commission**, **Department of Public Safety - Highway Patrol**, **Department of Labor and Industrial Relations**, **Missouri Department of Conservation**, **Missouri Lottery**, **Missouri Consolidated Health Care Plan, Missouri Office of Prosecution Services, Missouri State Employee's Retirement System, Office of the State Courts Administrator, Office of the State Public Defender**, **Office of the State Auditor**, and the **Missouri National Guard** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Department of Economic Development** defer to the **Office of Administration** for the potential fiscal impact of this proposal.

Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
Transfer Out - SOS - reimbursement of local election authority election costs **if** a special election is called by the Governor	$0 or (More than $8,000,000)	$0	$0
Potential Cost Avoidance - Limit on appropriation if approved by voters – appropriations reduced by 97.5%	$0	$0 or $14,840,491,922	$0 or $14,840,491,922
Potential Revenue Reduction - Individual income tax rate reduction **if** approved by voters and revenue growth trigger is met	$0	$0	$0 or (Unknown)
Potential Transfer Out - To Tax Reform Fund **if** approved by voters	$0	$0	$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0 or (More than $8,000,000)**	**$0 or $14,840,491,922**	**$0 or less than $14,840,491,922**
TAX REFORM FUND			
Potential Transfer In - from general revenue	$0	$0	$0 or Unknown
ESTIMATED NET EFFECT ON TAX REFORM FUND	**$0**	**$0**	**$0 or Unknown**
FEDERAL FUNDS			

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
Potential Cost Avoidance - Limit on appropriation **if** approved by voters	$0	$0 or $23,684,322,789	$0 or $23,684,322,789
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0 or $23,684,322,789**	**$0 or $23,684,322,789**
OTHER STATE FUNDS			
Potential Cost Avoidance - Limit on appropriation **if** approved by voters	$0	$0 or $12,025,486,269	$0 or $$12,025,486,269
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	**$0**	**$0 or $12,025,486,269**	**$0 or $12,025,486,269**

FISCAL IMPACT – Local Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
Transfer In - Local Election Authorities - reimbursement of election costs by the State for a special election	$0 or More than $8,000,000	$0	$0
Costs - Local Election Authorities - cost of a special election **if** called for by the Governor	$0 or (More than $8,000,000)	$0	$0
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0**	**$0**	**$0**

FISCAL IMPACT – Small Business

Small businesses' taxation may be impacted by this proposal (pending voter approval).

FISCAL DESCRIPTION

Upon voter approval, this resolution amends Article X of the Missouri Constitution by limiting the authority of the General Assembly to appropriate funds in the following manner:

(1) If the Missouri population increases by more than 2.5% from one calendar year to the next, the General Assembly shall have a spending limit equal to the percentage of the state population increase, which will be applied as the percent of the total moneys available for appropriation; or

(2) If the Missouri population increases by less than 2.5% from one calendar year to the next, the General Assembly shall have a spending limit equal to 2.5% of the total moneys available for appropriation.

This resolution also creates the "Tax Reform Fund". For all fiscal years beginning July 1, 2025, if the amount of net general revenue collected exceeds the anticipated General Fund revenue expenditures by $20 million or more, any surplus collected above $20 million will be deposited into the Tax Reform Fund. The Fund shall be capped at $500 million.

If the Fund reaches and maintains a balance of $250 million and a surplus of $20 million is realized in a subsequent year, the General Assembly will trigger a 1/4 of 1% decrease in personal income tax, with not less than one reduction per year. There will be no cap on the number of triggered reductions and the triggers will remain in place until the personal income tax is reduced to zero. When a triggered decrease occurs, it shall take effect on January 1st of the following year.

Once personal income tax is eliminated, the General Assembly will utilize the Fund to gradually reduce and eliminate personal property taxes.

After both personal income taxes and personal property taxes have been reduced to zero, they will both remain at zero. After the elimination of both personal income taxes and personal property taxes, the Fund will continue to collect revenue and will only be used to supplement budget shortfalls following fiscal years during which the General Assembly enacted a tax reduction. The budget shortfalls that receive supplemental funding will follow the order of priority normally used by the General Assembly when making authorized appropriations.

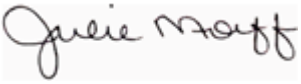
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Administrative Hearing Commission
Office of Administration - Budget and Planning

KLP:LR:OD

Department of Commerce and Insurance
Department of Natural Resources
Department of Corrections
Department of Revenue
Department of Public Safety
Department of Social Services
Missouri Department of Agriculture
Missouri Department of Transportation
Missouri National Guard
Office of the Secretary of State
City of Kansas City
Newton County Health Department
Lincoln County Assessor
Phelps County Sheriff
Branson Police Dept
Kansas City Police Dept.
St. Louis County Police Dept
Missouri Senate
State Tax Commission
Rolling Hills Consolidated Library
Department of Economic Development
Department of Health and Senior Services
Department of Mental Health
Department of Higher Education and Workforce Development
Department of Labor and Industrial Relations
Missouri Department of Conservation
Office of the State Auditor
Missouri House of Representatives
Missouri Lottery
Missouri Consolidated Health Care Plan
Missouri Office of Prosecution Services
Missouri State Employee's Retirement System
Office of the State Courts Administrator



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March 22, 2024

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March 22, 2024

KLP:LR:OD