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CITIZENS SUMMARY

Conclusions in the review of Article X, Sections 16 through 24

Background

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5, which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment is commonly referred to as the Hancock Amendment.

Section 18(a-d) of the Hancock Amendment requires annual total state revenue limits. The amendment limits the amount of personal income that may be used to fund state government to no greater than the portion used to do so in 1981, except as authorized by a vote of the people. The amendment provides for taxpayer refunds of excess revenues.

A 1996 amendment added Section 18(e) to the Hancock Amendment, which imposes an additional revenue limit on tax and fee increases. Section 18(e) states the general assembly shall not increase taxes or fees in any fiscal year, without voter approval, that in total produce new annual revenues greater than \$50 million, adjusted annually by the percentage change in the personal income of Missouri for the second previous year, or 1 percent of total state revenue for the second fiscal year prior to the general assembly's action, whichever is less.

Fiscal Year 2023 Conclusions

For the year ended June 30, 2023, no refunds are due to taxpayers. Total state revenue was approximately \$4.4 billion under the refund threshold. This revenue limit has not been exceeded since the year ended June 30, 1999.

For the year ended June 30, 2023, the Office of Administration, Division of Budget and Planning determined based on fiscal notes prepared for each bill by the Committee on Legislative Research - Oversight Division, as a result of general assembly legislative actions, net taxes and fees are projected to decrease by a total of \$773.2 million, which is under the tax and fee increase revenue limit of \$132.8 million. The projected net decrease does not include 3 bills for which the Section 18(e) fiscal impact could not be projected. Actual compliance with the Section 18(e) revenue limit is determined by measuring the aggregate actual new annual revenues produced in the first fiscal year each tax and fee increase and decrease is fully effective. Since Section 18(e) was added to the Hancock Amendment in 1996, the 2016 legislative session was the only year the limit has been projected to be exceeded.

Because of the nature of this audit, no rating is provided.