



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

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

Background

The Constitution of Missouri was amended in 1980 to add Article X, Sections 16 through 24, commonly referred to as the Hancock Amendment. This tax limitation amendment places restrictions on the amount of personal income used to fund state government, and the amount by which fees and taxes can be increased. Mathematical formulas are used by the Office of Administration, Division of Budget and Planning (OA-BP) to determine the relevant threshold amounts each year.

Section 18(a-d) of the Hancock Amendment limits the amount of Missourians' personal income that may be used to fund state government to no greater than the portion used to do so in 1981, when it was 5.6 percent. Because 5.6 percent of Missourians' personal income went to fund state government in 1981, no more than 5.6 percent can be used to do so in future years, unless revenues are specifically excluded by a vote of the people.

Section 18(e) requires voter approval before taxes or fees can be increased by the General Assembly beyond a certain annual limit. Based upon the calculation provided by the OA-BP, the relevant annual revenue limit for fiscal year 2016 was \$94.3 million.

Fiscal Year 2016 Conclusions

For the fiscal year ended June 30, 2016, total state revenue was approximately \$4.1 billion under the refund threshold, which means no Hancock refund is due. This revenue limit has not been exceeded since the year ended June 30, 1999.

In addition, the OA-BP 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 could increase by up to a total of \$127.7 million, which exceeds the tax and fee increase revenue limit of \$94.3 million. The projected net increase does not include 9 bills for which the Section 18(e) fiscal impact could not be projected. If the fiscal note fiscal impact projections materialize, the Section 18(e) revenue limit would be exceeded for the 2016 legislative session. Actual compliance with the Section 18(e) revenue limit can be determined after each tax and fee increase and decrease is fully effective. This is the first year the limit has been projected to be exceeded since the law went into effect in 1996.

Because of the limited objective of this review, no overall rating is provided.

All reports are available on our Web site: auditor.mo.gov