26-HCS HJR 173 & 174 : Senate Substitute for Senate Committee Substitute for House Committee Substitute for House Joint Resolution Nos. 173 & 174 - Changes in Taxation

Organization: Department of Agriculture **Submitted At:** 05/07/2026 08:38 AM
Name: Amanda Kelley
Email: amanda.kelley@mda.mo.gov
Fiscal Impact: No

Organization: Department of Conservation **Submitted At:** 05/06/2026 10:27 AM
Name: Sandy Dorge
Email: sandy.dorge@mdc.mo.gov
Fiscal Impact: No

Organization: Department of Health and Senior Services **Submitted At:** 05/07/2026 12:04 PM
Name: Maddie Starnes
Email: maddie.starnes@health.mo.gov
Fiscal Impact: No

Organization: Department of Higher Education and Workforce Development **Submitted At:** 05/05/2026 01:39 PM
Name: DHEWD Fiscal Notes
Email: dhewd.fiscalnotes@dhewd.mo.gov
Fiscal Impact: No

Organization: Department of Mental Health **Submitted At:** 05/06/2026 02:39 PM
Name: Cindy Kliethermes
Email: cindy.kliethermes@dmh.mo.gov
Fiscal Impact: No

Organization: Department of National Guard **Submitted At:** 05/05/2026 02:53 PM
Name: Nnamdi Nnedu
Email: nnamdi.nnedu@mong.mo.gov
Fiscal Impact: No

Organization: Department of Public Safety **Submitted At:** 05/05/2026 01:37 PM
Name: Angie Giddings
Email: angie.giddings@dps.mo.gov
Fiscal Impact: No

Organization: Department of Revenue **Submitted At:** 05/06/2026 01:24 PM
Name: Jeani Hancock
Email: jeani.hancock@dor.mo.gov
Fiscal Impact: Yes
Response Files:

- HJR-173-DOR-response.doc

Submitter Notes: Attached is the Department's Response.

DOR RESPONSE
TAFP SS SCS HCS HJR 173 & 174
May 6, 2026

This HJR is a constitutional amendment that would go to the people at the November 2026 general election. Should the amendment fail to be adopted, this would have no fiscal impact. Should it be adopted, it would become effective in December 2026, and it would have the following fiscal impact.

Article X Section 4(d)
Section 4(d).1 currently allows the General Assembly to establish an income tax. The income tax can be an individual income tax and/or a corporate income tax. Currently, Missouri has both.

This proposal would add a Section 4(d).2 which states that the General Assembly shall enact legislation to reduce and eliminate the state individual income tax. Upon elimination of the tax, it would be prohibited from being reinstated.

Article X Section 26
Section 26.1 currently prohibits the General Assembly from expanding sales tax to any service or transaction that was not subject to sales tax as of January 1, 2015.

Section 26.2
This proposal adds Section 26.2 that allows the General Assembly to pass legislation authorizing the expansion of any transaction-based tax (sales & use tax) to goods and services, for the purpose of helping with the elimination of the state individual income tax. This proposal says the sale and use tax expansion must be included in the same bill that eliminates the income tax and the total amount of revenue from the reduction of the income tax and the increase in sales tax must be equal.

This proposal adds in Section 26.2 that if the sales tax expansion legislation is adopted within five years of the passage of this constitutional amendment then the expanded sales tax revenue would not be subject to the Article X, Section 18(e) (the Hancock Amendment) nor would the revenue be subject to the motor fuel sales tax distribution rules established in Article IV, Sections 30 (b), 30(c) and 30(d).

Section 26.3
This proposal adds Section 26.3 which wants local political subdivisions to adjust any existing tax rates they have to offset the increased amount of revenue they would receive if an expansion of the sales tax is allowed per Section 26.2. The purpose of this language is to limit the local political subdivisions, so they only receive the same total amount of tax revenue they do under current law. This adjustment would begin 12 months after the increase in the sales tax rate is implemented in Section 26.2.

However, Section 26.3 does not require the local political subdivisions to adjust the additional revenue that schools will receive under this expansion of the sales tax.

Therefore, if a school district receives additional revenue from the sales tax, they would be allowed to retain it.

Section 26.4
This proposal adds Section 26.4, that says that starting 12 months upon elimination of Section 26.2, the Constitutionally created sales taxes (Conservation Commission and Park, Soil & Water) would need to be adjusted in order to produce the same amount of revenue as they currently receive. It appears the legislation's intent is to hold steady their revenue as opposed to allowing it to be impacted by the expansion of the sales tax.

SUMMARY
Taking this HJR to the citizens will not have a direct impact on state or local tax revenue. DOR notes that any reduction of the income tax and the expansion of the sales tax proposed in this amendment would require enabling legislation. Any fiscal impact from the change in tax revenue would be reported in the enabling language's fiscal note.

26-HCS HJR 173 & 174 : Senate Substitute for Senate Committee Substitute for House Committee Substitute for House Joint Resolution Nos. 173 & 174 - Changes in Taxation

Organization: Department of Social Services **Submitted At:** 05/05/2026 03:51 PM

Name: Caleb Neeley

Email: caleb.neeley@dss.mo.gov

Fiscal Impact: No

Organization: Governor's Office **Submitted At:** 05/06/2026 01:58 PM

Name: Amanda Holtmeyer

Email: amanda.holtmeyer@governor.mo.gov

Fiscal Impact: No

Organization: Missouri House of Representatives **Submitted At:** 05/05/2026 06:15 PM

Name: Sean McLafferty

Email: sean.mclafferty@house.mo.gov

Fiscal Impact: No

Organization: Missouri Senate **Submitted At:** 05/05/2026 01:46 PM

Name: Christy Falter

Email: christy.falter@senate.mo.gov

Fiscal Impact: No

Organization: Office of Administration **Submitted At:** 05/06/2026 11:37 AM

Name: Tony Roberts

Email: tony.roberts@oa.mo.gov

Fiscal Impact: No

Organization: Office of the State Public Defender **Submitted At:** 05/05/2026 03:25 PM

Name: Matthew Crowell

Email: matthew.crowell@mspd.mo.gov

Fiscal Impact: No

Organization: Secretary of State's Office **Submitted At:** 05/06/2026 12:13 PM

Name: Jennifer Briones

Email: jennifer.briones@sos.mo.gov

Fiscal Impact: Yes

Response Files:

- Elections-Referendum-response.docx

Submitter Notes: Thanks

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, Referendums are submitted to the people at the next general election. Article III section 52(b) of the Missouri Constitution authorizes the general assembly to order a special election for measures referred to the people. If a special election is called to submit a Referendum 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 2024 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 FY24 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, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

If you have any questions, please contact Scott Pauley 573-526-0703.

26-HCS HJR 173 & 174 : Senate Substitute for Senate Committee Substitute for House Committee Substitute for House Joint Resolution Nos. 173 & 174 - Changes in Taxation

Organization: Clay County **Submitted At:** 05/05/2026 02:05 PM
Name: Stacey Tingle
Email: stingle@claycountymo.gov
Fiscal Impact: No

Organization: Madison County **Submitted At:** 05/07/2026 11:26 AM
Name: Madison County Fiscal Notes
Email: madison@sos.mo.gov
Fiscal Impact: Yes
Response Files: None
Submitter Notes: Unknown decrease to the local government and schools.

Organization: Shelby County **Submitted At:** 05/05/2026 02:53 PM
Name: Shelby County Fiscal Notes
Email: shelby@sos.mo.gov
Fiscal Impact: Yes
Response Files: None
Submitter Notes: There will be impacts to the county by it losing some of the sales tax. It will also burden lower to middle income people by the fact that they will now have to pay taxes not only on groceries, supplies, but also if they have work done on their cars, houses, to get haircuts. This would be a burden to them.

Organization: St. Clair County **Submitted At:** 05/05/2026 01:42 PM
Name: St. Clair County Fiscal Notes
Email: stclair@sos.mo.gov
Fiscal Impact: No

Organization: Cape Girardeau 63 School District **Submitted At:** 05/05/2026 02:42 PM
Name: Howard Benyon
Email: benyonh@capetigers.com
Fiscal Impact: Yes
Response Files: None
Submitter Notes: I am writing to express strong opposition to HJR 173 & 174 due to the long-term financial risks it creates for Missouri's public education system and the broader impact on working families and retirees. While the proposal is framed as tax relief, it fundamentally shifts the state's revenue structure away from a stable, income-based system toward an expanded reliance on sales taxes. That shift places a disproportionate burden on low- and middle-income families and seniors living on fixed incomes, who spend a greater share of their income on taxable goods and services. From a public education standpoint, the language stating that local actions shall not reduce funding to schools is noted, but it does not address the larger concern—state revenue stability. Missouri's school funding formula depends heavily on consistent state revenue. Eliminating the individual income tax over time introduces significant uncertainty and risk, particularly during economic downturns when sales tax revenues are less reliable. This creates the potential for stagnant or reduced state support for schools, ultimately impacting staffing, programs, and student opportunities. Missouri has built its public education system on a balanced funding approach. This proposal disrupts that balance without clear, guaranteed safeguards to protect long-term funding levels for schools or essential public services. For these reasons, I urge you to oppose HJR 173 & 174 and support a more measured, sustainable approach to tax policy that protects public education and does not shift financial burden onto those least able to absorb it.

Organization: Metropolitan Community College **Submitted At:** 05/06/2026 12:42 PM
Name: Daniel Hubbard
Email: daniel.hubbard@mcckc.edu

Fiscal Impact: No

Organization: Missouri Southern State University **Submitted At:** 05/07/2026 08:29 AM
Name: Linda Eis
Email: eis-l@mssu.edu
Fiscal Impact: Yes
Response Files: None
Submitter Notes: Would there be a limit on how much sales taxes would be raised, if income tax is eliminated? If sales tax is raised too much, it would affect the economic spending.

Organization: Missouri State University **Submitted At:** 05/05/2026 01:43 PM
Name: Jamie Birch
Email: jamiebirch@missouristate.edu
Fiscal Impact: No

Organization: Children's Trust Fund of Missouri **Submitted At:** 05/06/2026 06:33 AM
Name: Alicia Whitson
Email: alicia.whitson@oa.mo.gov
Fiscal Impact: Yes
Response Files: None
Submitter Notes: If Missouri eliminates the income tax, the Children's Trust Fund will lose approximately $57,000 annually in income tax check off donations.

Organization: Kansas City Board of Police Commissioners **Submitted At:** 05/06/2026 09:18 AM
Name: Joshua Heinen
Email: joshua.heinen@kcpd.org
Fiscal Impact: No

Organization: Lieutenant Governor's Office **Submitted At:** 05/07/2026 11:06 AM
Name: Katie Ashcroft
Email: katie.ashcroft@ltgov.mo.gov
Fiscal Impact: No

Organization: Missouri Lottery **Submitted At:** 05/06/2026 04:33 PM
Name: Judy Martin
Email: judy.martin@molottery.com
Fiscal Impact: Yes
Response Files:

- Lottery-Response-to-Fiscal-Note-Request-for-House-Joint-Resolution-Nos-173-and-174---Changes-in-Taxation.docx

Submitter Notes: State statute prohibits imposing state or local sales tax on the sale of lottery tickets. This legislation would result in an estimated reduction in state individual income tax revenue of $3.6 million to over $20 million annually with no offsetting increase in state or local sales tax revenue.

26-HCS HJR 173 & 174 : Senate Substitute for Senate Committee Substitute for House Committee Substitute for House Joint Resolution Nos. 173 & 174 - Changes in Taxation

Organization: Missouri Lottery

Submitted At: 05/06/2026 05:01 PM

Name: Judy Martin

Response Version: 2

Email: judy.martin@molottery.com

Fiscal Impact: Yes

Response Files:

- Lottery-Response-to-Fiscal-Note-Request-for-House-Joint-Resolution-Nos-173-and-174---Changes-in-Taxation.docx

Submitter Notes: The Lottery estimates the legislation would result in an estimated reduction in state individual income tax revenue of $3.6 million to over $20 million with no offsetting increase in state or local sales tax revenue.

Fiscal Note and Fiscal Note Summary Request for Senate Substitute for Senate Committee Substitute for House Committee Substitute for House Joint Resolution Nos. 173 & 174

From: Missouri Lottery

Date: 5/6/2026

Contact person: Judy Martin, judy.martin@molottery.com

Response: HJR Nos. 173 & 174 mandate the general assembly to enact legislation reducing and eliminating the state individual income tax and allow state and local sales and use taxes to be expanded to offset the resulting decrease.

313.321.5, RSMo, states, *"No state or local sales tax shall be imposed upon the sale of lottery tickets or shares of the state lottery or on any prize awarded by the state lottery."*

This same section further states, *"The state of Missouri shall withhold for state income tax purposes from a lottery game prize or periodic payment of six hundred dollars or more an amount equal to four percent of the prize."*

State tax withholdings on lottery prizes in FY 26 total $20.3 million to date. This was an unusually high year because a Missouri Lottery winner won the Powerball jackpot. State tax withholdings over the last ten years have averaged $6.2 million with the lowest year being $3.6 million and the highest being over $20 million.

Although state statute could be revised to allow state or local sales tax on the sale of lottery tickets, lottery tickets are not subject to sales tax in any U.S. state. Sales tax applies to transactions involving goods and services; a lottery ticket doesn't fit neatly into either category. It represents a chance at winning rather than a tangible product, and most states exclude intangible items from their sales tax base entirely. In addition, state-run lotteries already build government revenue into every ticket sold. Layering sales tax on top of a state-operated revenue program would effectively tax the same transaction twice and would likely depress ticket sales, defeating the purpose of the lottery in the first place. Furthermore, most states consider the lottery a form of gambling, and sales tax isn't typically levied on gambling activities since the state already profits from gambling activity.

The Lottery estimates the legislation would result in an estimated reduction in state individual income tax revenue of $3.6 million to over $20 million with no offsetting increase in state or local sales tax revenue.

26-HCS HJR 173 & 174 : Senate Substitute for Senate Committee Substitute for House Committee Substitute for House Joint Resolution Nos. 173 & 174 - Changes in Taxation

Organization: Missouri State Tax Commission
Submitted At: 05/05/2026 02:12 PM

Name: Dan Hutton

Email: dan.hutton@stc.mo.gov

Fiscal Impact: No

Organization: State Auditor's Office
Submitted At: 05/07/2026 09:20 AM

Name: Brent Bayer

Email: brent.bayer@auditor.mo.gov

Fiscal Impact: No

Organization: Missouri Budget Project
Submitted At: 05/06/2026 04:27 PM

Name: Lindsey Baker

Email: lbaker@mobudget.org

Fiscal Impact: Yes

Response Files:

- Missouri-Budget-Project-Fiscal-Impact-Statement-on-Ballot-Measure-26-HCS-HJR-173-174.pdf

Submitter Notes: 26-HCS HJR 173 & 174 would result in an estimated loss of up to $8.5 billion in state general revenue. This finding is based on language that would require the elimination of Missouri’s $8.5 billion in income tax collections, but would not require (only allow) an increase in the sales tax to fill that gap. ESTIMATED NET EFFECT ON GENERAL REVENUE FUND The language in 26-HCS HJR 173 & 174 states that lawmakers: • Shall eliminate the state individual income tax. • May increase the existing sales tax rate OR expand the sales tax base. This language means that, if approved by voters, this amendment would require lawmakers to eliminate Missouri’s individual income tax, but it would not require them to increase sales tax to fill that gap. In Fiscal Year 2027, Missouri expects to collect $8.5 billion in individual income tax. This is 62.4% of Missouri’s general revenue budget. Further, while the amendment purports to eliminate the income tax based on “revenue growth,” no specific revenue triggers are included in the language. This means that any amount of growth in general revenue collections, which happens almost every year due to rising wages and annual inflation, could be used to trigger reductions in Missouri’s top rate of income tax. Because of this lack of specificity, the amendment provides no guarantee that any revenue triggers enacted by future legislation would be fiscally responsible or prevent deep cuts to critical services. For these reasons, we estimate the fiscal impact of 26-HCS HJR 173 & 174 on state revenue could lead to an annual loss of up to $8.5 billion in state general revenue.

MISSOURI BUDGET PROJECT

Estimated Fiscal Impact

Senate Substitute for Senate Committee Substitute for House Committee Substitute for House Joint Resolution Nos. 173 & 174

26-HCS HJR 173 & 174

26-HCS HJR 173 & 174 would result in an estimated loss of up to $8.5 billion in state general revenue.

This finding is based on language that would require the elimination of Missouri's $8.5 billion in income tax collections, but would not require (only allow) an increase in the sales tax to fill that gap.

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

The language in 26-HCS HJR 173 & 174 states that lawmakers:

- **Shall** eliminate the state individual income tax.
- **May** increase the existing sales tax rate *OR* expand the sales tax base.

This language means that, if approved by voters, this amendment would require lawmakers to eliminate Missouri's individual income tax, but it would not require them to increase sales tax to fill that gap.

In Fiscal Year 2027, Missouri expects to collect $8.5 billion in individual income tax.[1] This is 62.4% of Missouri's general revenue budget.

Further, while the amendment purports to eliminate the income tax based on "revenue growth," no specific revenue triggers are included in the language. This means that any amount of growth in general revenue collections, which happens almost every year due to rising wages and annual inflation, could be used to trigger reductions in Missouri's top rate of income tax.

Because of this lack of specificity, the amendment provides no guarantee that any revenue triggers enacted by future legislation would be fiscally responsible or prevent deep cuts to critical services.

For these reasons, we estimate the fiscal impact of 26-HCS HJR 173 & 174 on state revenue could lead to an annual loss of up to $8.5 billion in state general revenue.

[1] [1] Fiscal Year 2027 Executive Budget

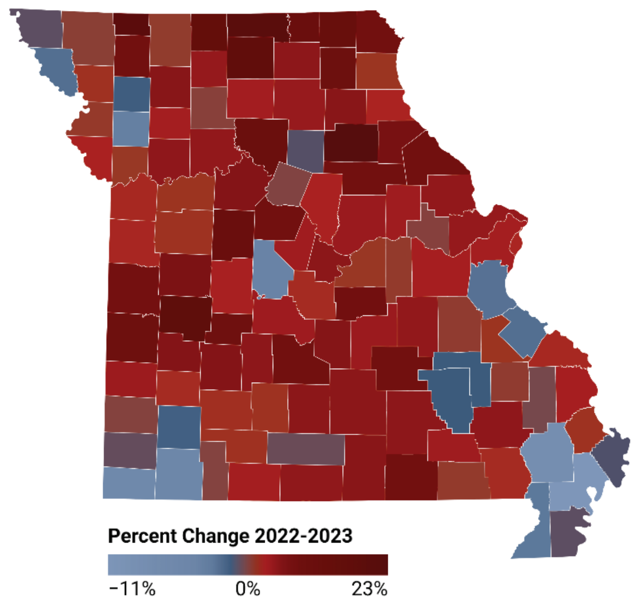
ESTIMATED NET EFFECT ON LOCAL FUNDS

The language in 26-HCS HJR 173 & 174 requires political subdivisions (such as counties, cities, or other local taxing jurisdictions) to make a one-time reduction in sales tax rates, property tax levies, or earnings tax rates to offset any revenue produced by an expansion of the sales and use tax base. The amendment would cap revenue growth in localities to 3% during the first year of implementation.

This one-size fits all approach does not take into account economic growth that may influence the need for (and cost of) maintaining current services.

- If local communities were tied to 3% growth over the past year, this would already put them behind the current annual inflation rate of 3.3%.[2]
- Inflation has been especially volatile over the past five years with recent trends suggesting additional spikes in inflation are likely.[3]
- Economic growth varies dramatically by county in Missouri, with most Missouri counties experiencing GDP growth at rates higher than annual inflation[4].
- Communities with new development that spurs rapid economic growth would be hit especially hard by this cap.

Growth in GDP by County (Inflation Adjusted)



Perhaps more importantly, this cap does not account for changing demographics or economic conditions that would require revenue to grow beyond the average rate of inflation to maintain current services.

Local communities would be unable to keep pace with unpredictable changes in the needs of residents – such as an increase in the number of students in local public schools, growing needs of aging residents, changing transportation infrastructure needs, or natural disaster response.

For these reasons, we estimate that the caps on revenue growth in 26-HCS HJR 173 & 174 could lead to a loss in revenue for many localities, particularly in areas with rapid economic or population growth.

[2] U.S. Bureau of Labor Statistics Consumer Price Index - March 2026
[3] U.S. Bureau of Labor Statistics 12-month percentage change, Consumer Price Index, selected categories (past 20 years)
[4] Missouri Economic Research and Information Center (MERIC) County Gross Domestic Product

APPENDIX: DETAILED ESTIMATED IMPACT OF 26-HCS HJR 173 & 174

Because 26-HCS HJR 173 & 174 provides no detail on anticipated legislation to eliminate the income tax, raise the sales tax rate, or expand the sales tax base, it is difficult to develop a precise fiscal estimate. In this case, it is worthwhile to examine a range of possible scenarios to determine the impact on state general revenue as well as Missouri taxpayers.

Scenario 1: Lawmakers eliminate the income tax, but do not agree on a plan to expand or raise sales tax to fill the gap.

If lawmakers eliminate the income tax, but fail to increase sales taxes, Missouri's annual state general revenue collections would decline by $8.5 billion.

This amendment requires lawmakers to enact legislation that would eliminate Missouri's individual income tax but does not require lawmakers to fill that gap by increasing sales tax collections. This means that there is nothing that prevents Missouri lawmakers from eliminating the income tax with no accompanying legislation that would replace lost revenue with increased sales tax collections.

In fact, the state's own fiscal estimates projected a net loss of $8.5 billion to the general revenue fund upon full implementation for each prior version of HJR 173 & 174 in which lawmakers included specific revenue triggers.[5]

General Revenue by Source (in millions): FY2027 CRE

Revenue Source	Net Collections	Share of GR
Individual Income Tax	$8,513.60	62.4%
Sales & Use Tax	$3,322.60	24.3%
Corporate Income Tax	$921.10	6.7%
Other	$892.70	6.5%

Source: FY2027 Executive Budget

While the amendment states that the elimination of the income tax must be based on "revenue growth," these revenue triggers would be developed by lawmakers in a future session. This means there is no guarantee that revenue triggers would be fiscally responsible or prevent significant revenue loss and cuts to services.

- State revenue triggers often fail to take into account inflation, population growth, economic downturns, or federal policy changes that can dramatically impact state revenues and the cost of maintaining current services.
- For example, North Carolina recently passed income tax cut triggers based on "revenue growth" that are projected to reduce annual revenues by nearly $8 billion by FY2033-34.[6]

Moreover, Missouri's existing income tax cut triggers have not prevented an ongoing structural shortfall of over $2.5 billion in the current year.

General Revenue Collections vs. Appropriations (in millions)

	Net Collections	Shortfall	Appropriations
FY2024	$13,429.1	($1,791.9)	$15,221.0
FY2025	$13,430.9	($1,517.3)	$14,948.2
FY2026	$13,150.0*	($2,272.1)	$15,422.1
FY2027	$13,650.0*	($2,523.2)	$16,173.2*

** Estimates from CRE and Governor's Recommendation*

Source: Budget Fast Facts & FY2027 Executive Budget

[5] Fiscal note: HCS for HJR Nos. 173 & 174; Perfected HCS for HJRs 173 & 174; SCS for HCS for HJRs 173 & 174

[6] North Carolina Office of State Budget and Management

Scenario 2: Lawmakers eliminate the income tax and increase the state sales tax rate on the existing sales tax base.

If lawmakers eliminate the income tax and replace that revenue by increasing Missouri's existing sales tax rate to fill the gap, the average Missourian would see an increase in total taxes of over $500.

26-HCS HJR 173 & 174 gives lawmakers a five-year window to enact legislation to increase Missouri's existing sales tax rate to replace the individual income tax. If lawmakers were to increase the existing state general sales tax rate of 3% to fully replace the revenue lost from the elimination of the income tax:

- Sales tax collections would need to increase to $11.8 billion annually to fill the gap – over 3.5 times the current sales tax revenue of $3.3 billion.

- To generate enough revenue to fully replace lost income tax revenue, Missouri's current general state sales tax rate would need to increase from 3% to 10.7%.

- As a result, Missouri's average combined state and local sales tax rate would nearly double to 16%; in some localities, the maximum tax rate would be nearly 20%. This would make Missouri's sales tax rates far higher than every other state in the nation.[7]

Estimated Increase to Missouri's General Sales Tax Rate to Replace Individual Income Tax Collections

	Current Sales Tax	*Estimated Increase**	New Sales Tax
General Sales Tax Collections	*$3,322,600,000*	*$8,513,600,000*	*$11,836,200,000*
General Sales Tax Rate	3.0%	*7.7%*	10.7%
State Earmarked Sales Tax Rate	1.225%		1.225%
Total State Sales Tax Rate	**4.225%**		**12%**
Average Local Sales Tax Rate	*3.96%*		*3.96%*
Maximum Local Sales Tax Rate	*8.01%*		*8.01%*
Combined State & Local (Average)	**8.2%**		**15.9%**
Combined State & Local (Max)	**12.2%**		**19.9%**

** Missouri Budget Project analysis of the FY2027 Consensus Revenue Estimate; assumes that each 1% increase in Missouri's general sales tax rate would generate $1,107,533,333; Sales tax rate estimates may not sum precisely due to rounding.*

Source: Missouri Department of Revenue 2026 Sales/Use Tax Rate Tables: 05/2026 - 06/2026

Sales and property taxes make up the bulk of taxes paid for low and middle-income families – not income taxes. Replacing Missouri's individual income tax with sales taxes would increase taxes for most Missourians.

- The average Missourian earning $65,000/year would face a $535 net tax increase.[8]
- This would dramatically increase the everyday cost of living for most Missourians.

[7] Tax Foundation State & Local Sales Tax Rates as of January 1, 2026
[8] Institute on Taxation and Economic Policy (ITEP)

Scenario 3: Lawmakers eliminate the income tax and expand the existing sales tax to all services except housing and health care.

If lawmakers eliminate the income tax and expand Missouri's existing 3% sales tax rate to services with exemptions for housing and health care, Missouri's annual state general revenue collections would decline by $6.2 billion.

Missouri's constitution currently prohibits the expansion of Missouri's sales tax base to services that were not taxed as of January 1, 2015. This amendment gives lawmakers a five-year window to enact legislation to expand Missouri's existing sales tax base to include services for the purpose of eliminating the income tax. While housing and health care are not explicitly exempted in this legislation, the Governor has indicated that these services would not be subject to taxation. [10]

Missouri's personal consumption expenditures (PCE) can be used to estimate how much revenue could be generated by expanding Missouri's existing 3% state general sales tax to services.[11]

- Services related to housing or health care account for $115 billion annually, or nearly half of all household consumption expenditures in Missouri.
- Food services, accommodations, and gambling (services that are already subject to sales tax)[12] account for an additional $25 billion, meaning that over 2/3 of services in Missouri are already taxed or would be exempt from sales tax under this scenario.
- Only $2.3 billion could be generated by expanding the sales tax base with exemptions for health and housing. This is $6.2 billion short of what is needed to replace Missouri's $8.5 billion in income tax revenue.

Estimated Revenue Generated With a 3% General Sales Tax on Household Consumption Expenditures on Services

Type of Service	Spending (in millions)	Estimated Tax Revenue
Household Consumption Expenditures on Services	**$217,056.4**	**$6,511.69**
Housing and utilities	*($52,385.2)*	*$0.00*
Health care	*($62,677.5)*	*$0.00*
Transportation services	$10,602.4	$318.07
Recreation services	$12,903.7	$387.11
Food services and accommodations	$22,944.4	$688.33
Financial services and insurance	$28,304.8	$849.14
Other services	$27,238.4	$817.15
Major Services Currently Subject to Sales Tax		
Gambling	*($3,095.5)*	*$0.0*
Purchased meals and beverages	*($19,947.3)*	*$0.0*
Accommodations	*($2,280.9)*	*$0.0*
Expenditures on Services (Adjusted)	**$76,670.0**	**$2,300.10**
Individual Income Tax Annual Revenue		*$8,513.60*
Estimated shortfall		**($6,213.50)**

Source: U.S. Bureau of Economic Analysis, "SAPCE3 Personal consumption expenditures (PCE) by state by type of product [1]" (accessed Friday, May 1, 2026).

Scenario 4: Lawmakers eliminate the income tax and expand the sales tax to all services with no exemptions.

If lawmakers eliminate the income tax and expand Missouri's sales tax base to all services with no exemptions, Missouri's annual state general revenue collections would decline by over $2.7 billion.

Given that no exemptions are included in the amendment, it is also useful to examine a scenario in which lawmakers choose to expand sales taxes to all services, including housing and health care.

- Only $5.8 billion could be generated by taxing nearly every service expenditure in Missouri.
- That is $2.7 billion short of what is needed to replace Missouri's $8.5 billion in income tax revenue.

Estimated Revenue Generated With a 3% General Sales Tax on Household Consumption Expenditures on Services

Type of Service	Spending (in millions)	Estimated Tax Revenue
Household Consumption Expenditures on Services	**$217,056.4**	**$6,511.69**
Housing and utilities	$52,385.2	$1,571.56
Health care	$62,677.5	$1,880.33
Transportation services	$10,602.4	$318.07
Recreation services	$12,903.7	$387.11
Food services and accommodations	$22,944.4	$688.33
Financial services and insurance	$28,304.8	$849.14
Other services	$27,238.4	$817.15
Major Services Currently Subject to Sales Tax		
Gambling	*($3,095.5)*	*$0.0*
Purchased meals and beverages	*($19,947.3)*	*$0.0*
Accommodations	*($2,280.9)*	*$0.0*
Expenditures on Services (Adjusted)	**$191,732.7**	**$5,751.98**
Individual Income Tax Annual Revenue		*$8,513.60*
Estimated shortfall		**($2,761.62)**

Source: U.S. Bureau of Economic Analysis, "SAPCE3 Personal consumption expenditures (PCE) by state by type of product [1]" (accessed Friday, May 1, 2026).

[10] 2026 State of the State Address

[11] Unfortunately, there is not one database that includes the entire universe of taxable services at the state level. Estimates based on PCE do exclude some business- to-business (B2B) transactions that may be subject to tax. At the same time PCE estimates include some services already subject to tax as well as several services that would be extremely difficult or unusual to tax; as such this estimate overstates the amount of revenue that could be generated by taxing services used by households. This likely offsets a sizable share of the revenue from B2B transactions that is excluded.

[12] Food services and accommodations (such as restaurants and hotels) are already largely subject to the state general sales tax; gambling is also subject to a substantial earmarked sales tax making it unlikely that lawmakers would impose additional sales taxes. This analysis is unable exclude several services also currently subject to tax in Missouri due to data limitations. This includes sales taxes on recreation including venues such as amusement parks, concert venues, or sporting events, as well as taxes on some transportation and telecommunications services.