



**Institute on Taxation and Economic Policy**

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## **FACT SHEET: MISSOURI HOUSE BILL 64**

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Missouri House Bill 64 would change the state's personal income tax in three important ways:

- Expand the starting point for the 6 percent top income tax bracket from \$9,000 to \$50,000 of taxable income.
- Increase the deduction for federal income taxes paid from \$10,000 for married couples (\$5,000 for single filers) to \$15,000 for married couples (\$7,500 for singles).
- Increase the per-dependent exemption from \$1,200 to \$1,600.

### **REVENUE IMPACT**

ITEP estimates that if fully implemented in tax year 2007, the bill's tax cuts would cost \$311 million a year. The cost of the bill is expected to increase in future years as income grows. Expanding the 5.5 percent income tax bracket is the costliest component of the bill, with a 2007 price tag of \$206 million. Increasing the federal tax deduction would cost \$76 million—at a time when several of the six other states that currently allow such a deduction are considering repealing it outright. Increasing the dependent exemption by \$400 is the least expensive provision at \$33 million.

### **FAIRNESS IMPACT**

Wealthier Missourians would benefit the most from HB 64's tax changes, while low- and middle-income families would see little benefit:

- The poorest twenty percent of Missourians, would see an average tax cut of twenty cents from these changes.
- The middle twenty percent of the income distribution, with average incomes of \$37,000 in 2007, would see an average tax cut of \$52.
- The wealthiest 1% of Missourians, with an average income of \$1.2 million, would see an average tax cut of \$669.
- All told, 88 percent of the benefits from these three tax changes would go to the wealthiest 40 percent of Missourians.
- Because state income taxes are deductible on federal returns, fully 12 percent of the tax cuts under this bill would go directly to the federal government—not to Missouri taxpayers—in the form of reduced federal itemized deductions (which mean increased federal taxes).

### **BACKGROUND ON ITEP**

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Founded in 1980, the Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization, based in Washington, DC, that focuses on federal and state tax policy. ITEP's mission is to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy. Among its many publications on state and local tax policy are *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States* and *The ITEP Guide to Fair State and Local Taxes*. ITEP's full body of research is available at [www.itepnet.org](http://www.itepnet.org).