



Senator Luann Ridgeway – Serving Clay County

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Senator Luann Ridgeway Capitol Report April 28, 2009

Ridgeway Proposes Largest Tax Decrease in Missouri History

"The difference between death and taxes is death doesn't get worse every time Congress meets."
- Mark Twain

I have now served in the Missouri Senate for nearly 5 legislative years. When you add that to my 10 years of service in the Missouri House, I have gathered some experience that I think is pretty reliable about the nature of government. If there is anything I have learned through observation and experience is that there is a constant drumbeat in the halls of government – and the drumbeat is for "MORE".

"More of what?", you may ask. My reply is simple: More money; More power; More laws and regulations governing our lives.

Since 1990, our Missouri budget has grown from around \$7.5 Billion to proposals this year exceeding \$23 Billion. In other words, in less than 20 years, Missouri is spending almost 3 times what we were spending less than 20 years ago. It took us from when we became a state in 1821 until 1990 (169 years) to grow into a \$7.5 Billion budget. But in less than 20 years, we have nearly tripled our spending.

The number of laws has similarly grown. >From Missouri's beginning in 1821 to 1959, we had accumulated only about 4 volumes of statutes, which if you stacked the books up, would only

amount to about 9 inches of printed laws. Today, we have over 25 volumes of statutes, which if you stacked the books up, would amount to nearly 50 inches of printed laws.

Here's the important question: With all the spending and new laws, are we any better off as a state since 1959, or 1990?

I'm not saying that all of our government growth has been bad. For example, increased spending and support for the poorest and most needful among us, such as the mentally retarded and developmentally disabled, has helped improve their quality of life. However, the fact remains that much of our spending and many laws are nothing more than designer legislation that benefits a select few at the expense of many.

Missouri is losing population, which will likely result in us losing one of our current 9 member delegation to the U.S. Congress. The loss of this seat lessens Missouri's voice in Washington D.C. Why are people leaving Missouri? Many factors may influence the decision to move such as proximity to family, climate and quality of life. As Representative Doug Ervin recently wrote: "Of the 12 top states netting new residents, eight of them do not have a state income tax. Those on the Left would tell us that people are willing to pay more taxes to get better government services, but the migration patterns strongly suggest otherwise. Interestingly, the people who tend to be the most mobile, tend to be the most educated and motivated, or to put it bluntly, are taxpayers – tax them too much and they may not be here in the future to tax at all."

The power to tax is a formidable power. Money is the main engine that feeds government growth. Therefore, I have proposed to put our Missouri government on a diet by proposing the largest tax decrease in Missouri history.

I have sponsored an amendment to reduce Missouri's income tax from 6% to 5%. The amendment is to Senate Substitute for HB 191 that is currently up for debate in the Missouri Senate. HB 191 has passed the House without any broad based tax decrease proposals. If adopted, my tax decrease plan would be phased in over a 10 year period. When fully implemented, my proposed tax cut would put over one billion dollars back into the hands of Missourians. This is reform that is permanent and predictable.

I'm happy to know that I'm not the only legislator proposing tax decreases at this time. Our sour economy will not be turned around by more government and more spending. Rather, we grow opportunity and the economy by lessening the tax burden.

Other proposals include complete removal of Missouri's income tax and replacing it with the Fair Tax. This means that our income tax would be eliminated and replaced with a statewide sales tax of 5.11%. The Fair Tax is in HJR 36, which is in the form of a constitutional amendment and would require approval by the voters to become effective. HJR36 has not yet been debated in the Senate.

A tax cut targeted at removing the tax on all military retirement pay is contained in HB 82. The bill allows 15% deduction on any military retirement income per year until 2016 when the deduction would be fully phased-in. This is especially important for keeping our military retirees from fleeing to other states, including Kansas, which already exempts all military retirement pay from state income taxation.

There are other tax cut proposals which would increase the amount of federal taxes you can deduct from your Missouri taxable income. If you recall, in the early 1990's, Governor Carnahan

passed the largest tax increase in Missouri by cutting off the ability of Missouri taxpayers from deducting all taxes paid to the federal government. This means that many Missourians are now paying taxes on taxes already paid to the U.S. government – in other words, paying double taxation. HB 64 & 545 contains provisions to eliminate this double taxation for most Missouri taxpayers.

There are also proposals to eliminate taxes on Missouri businesses, which includes elimination of the corporate franchise tax and the corporate income tax.

I support the broad-based tax cuts that impact the greatest number of Missourians with income subject to taxation. Your opinion counts! Let me know your thoughts on the tax-cut proposals discussed in this report.

As always, Please feel free to contact me in Jefferson City at (573) 751-2547. You may write to me at Senator Luann Ridgeway; Missouri Senate; State Capitol; Jefferson City, MO 65101, or email me at: luann.ridgeway@senate.mo.gov

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