

The Facts on Senate Bill 509

Senate Bill 509 creates a new deduction for “pass-through” business income and reduces the top individual income tax rate by one half of one percent. Senate Bill 509 passed the General Assembly April 16. The General Assembly may attempt to override the Governor’s veto during this current legislative session that ends May 16.

How much would Senate Bill 509 cost?

- Senate Bill 509 would reduce general revenue by **\$620 million annually** when fully implemented, according to the fiscal estimate produced by the Missouri legislature.
- To put that in context, that’s the equivalent of the investments needed to fully fund the K-12 foundation formula and secure a tuition freeze at four-year universities **combined**.

Who does Senate Bill 509 benefit?

Senate Bill 509 would primarily benefit the wealthy at the expense of public education and other vital services.

- Senate Bill 509 cuts taxes on pass-through business income, often reported by lawyers and lobbyists organized as LLC’s or corporate partnerships.
- For example, under Senate Bill 509, a lobbyist with \$500,000 in business income could write off \$125,000 of income and receive a tax cut worth \$9,100. And there’s no limit to these windfalls – the more income that lawyer or lobbyist makes, the bigger the tax cut they would receive.
- By contrast, a family making \$44,000 a year would see a tax cut of only \$32 when the bill is fully implemented in 2022.

How will Senate Bill 509 impact public education?

Senate Bill 509 would force drastic cuts to K-12 classrooms, college scholarships, higher education institutions and other services that support Missouri’s economy and strengthen the middle-class.

- K-12 and higher education are heavily dependent on general revenue, so schools will be disproportionately impacted by measures like Senate Bill 509 that reduce general revenue.
- [Data](#) released by the Missouri School Boards Association showed that Senate Bill 509 would **reduce funding for local school districts by \$223 million annually** when fully implemented.
- Funding cuts to public schools would result in larger class sizes, less technology in classrooms, fewer children able to attend preschool, and fewer teachers and counselors.

Since the tax cuts don't take effect until 2017, won't that protect education?

No. Senate Bill 509 does not include any meaningful safeguards for public education.

- Delaying these tax cuts does not make them any less harmful to education. Even if Missouri was able to fully fund the K-12 education formula in two years, as Governor Nixon has proposed, those funding levels could not be sustained once Senate Bill 509 was fully implemented.
- The so-called “triggers” in Senate Bill 509 are just as meaningless because revenue growth would nearly always hit the threshold needed for these crippling tax cuts to take effect. They could even take effect when the state was going into a recession.

Will Senate Bill 509 create jobs and grow the economy?

No. Missouri is a low-tax state that is outperforming its neighbors -- including those that have adopted these kinds of unaffordable tax cuts.

- Missouri has the sixth lowest taxes per capita in the nation, and the only state in the region to receive an “A” for tax climate.
- Missouri has led the nation in technology job growth for the past two years and last year, employment in Missouri grew faster than its neighboring states of Tennessee, Kansas, Kentucky, Oklahoma, Illinois, Nebraska and Arkansas.
- After Kansas adopted similar tax cuts in 2012, Kansas Gov. Sam Brownback's own Council of Economic Advisors [found](#) that “Kansas lagged behind the region and the nation in almost every important economic category during the first year of the tax reductions.”
- When Kansas passed their own unaffordable tax plan, they had to come back to push through a \$777 million sales tax *increase* **and** make drastic cuts to education. These actions still didn't prevent Moody's from downgrading some of Kansas's bonds.
- The conservative Tax Foundation said “special carve-outs” like those included in Senate Bill 509 “simply encourage individuals to structure themselves as pass-through entities for tax reasons” without creating real jobs or promoting economic growth.

What is Governor Nixon's proposal?

Gov. Nixon believes if we're going to cut taxes, we should do it in a responsible way that protects public education and gives a break to those who really need it. Instead of the unaffordable approach taken by Senate Bill 509, Governor Nixon has laid out a proposal to fully fund the K-12 foundation formula and give working families a responsible tax cut by reining in wasteful tax credit expenditures.