

Missouri's Proposed "Tax Swap": A Community Health Alert



What is the "Tax Swap" (HJR 173 & 174)?

Missouri is considering a massive change to how it collects money. Instead of taxing your **income** (the money you earn), the state wants to tax **services** (the money you spend).

To pay for this, the state would start charging sales tax on services that are currently tax-free (like haircuts, car repairs, and legal fees).



How would the "Tax Swap" affect my wallet?

Whether this helps you or hurts you depends on how much money you make and how you spend it.

- Low-to-middle income families may pay more. These families spend most of their paycheck on goods and services; things they need every day. If sales taxes go up, they may end up paying more than they save from lower income taxes.
- Seniors & retirees often face a "net loss." Many seniors already pay little to no state income tax on Social Security. They wouldn't get a "cut," but they would see the price of services go up.
- Higher earners generally see the biggest benefit. They keep more of their large paychecks, and the new sales taxes usually don't cancel out those savings.

How is tax policy a health issue?

Financial Health = Physical Health

When families lose money to new taxes on services (car repairs, home maintenance, laundry), they often cut back on:



Prescription medications and co-pays.



healthy, fresh groceries, and



dental and vision care.

Tax impacts stress.

Consistent (chronic) financial strain is a primary driver of high blood pressure (hypertension), anxiety, and depression.

Adding an estimated \$500+ yearly cost to low-income households increases the "toxic stress" that leads to long-term illness.



How are health and wealth related?

Critics and health experts point to three main concerns:



A "Tax on Staying Healthy": The bills allow the legislature to tax services. If they choose to tax things like physical therapy, dental visits, or gym memberships, it creates a new financial barrier to staying healthy.



The Budget Hole: Income tax provides about 60% of the state's general budget. If the new sales tax doesn't bring in enough money, the state might have to cut funding for Medicaid, mental health services, and/or rural health clinics.



Essential Costs: While items like diapers were recently made tax-free in Missouri, a broad "service tax" could raise the cost of essential labor, like home health aides for the elderly or childcare.

How would Missouri actually get rid of income tax?

The main bill (HJR 174) has a "Kill Switch." The income tax only disappears if:



The state's economy grows enough to meet specific triggers.



The tax rate is already successfully lowered to almost zero (1.4%) by existing laws first.

Summary: The Impact by Group

Group	Potential Impact
Workers with High Salaries	Benefits: Significant boost in take-home pay.
Public Schools	Protected: The law says school funding cannot be cut by these changes.
Low-Wage Workers	At Risk: Daily costs for services could rise faster than their pay.
Rural Residents	At Risk: Possible cuts to state-funded rural healthcare programs.

The Bottom Line

This isn't just a tax cut; it's a fundamental shift in who pays for Missouri's state services. Instead of taxing "wealth creation" (work), the state would be taxing "consumption" (spending).

For more information, visit:  bit.ly/4aCWZis or scan the QR code

