HJR 1 -- STATE REVENUE

SPONSOR: Davidson

Upon voter approval, this resolution amends Article X of the Missouri Constitution by limiting the General Assembly's appropriation authority. The authority will be limited as follows:

(1) If the Missouri state population increases by more than 1% from the preceding calendar year, the spending limit placed on the General Assembly will equal 100% of the most recent year's appropriation, plus the percentage of the population increase;

(2) If the state population increases by 1% or less from the preceding calendar year, the spending limit placed on the General Assembly will equal 101% of the most recent year's appropriation; or

(3) If the state population decreases in the most recent full calendar year, the spending limit placed on the General Assembly will equal 100% of the most recent year's appropriation.

When the spending limitations placed on the General Assembly are calculated, all deductions, exemptions, credits, and other tax preferences issued in the previous fiscal year will be included.

The spending limitations placed on the General Assembly may be raised if the following conditions are met:

(1) The Governor requests the General Assembly to approve and authorize an appropriation; and

(2) The General Assembly approves the request by a 2/3 vote.

Once the conditions to raise the spending limit are met, the General Assembly will be authorized to spend an amount equal to 102% of the previous year's appropriation. This new limit will remain until the Governor's appropriation request is rescinded, or until 12 months have passed since the request, whichever occurs first.

This resolution creates the "Tax Reform Fund" (the Fund). Beginning fiscal year 2027, if the amount of net general revenue that is collected exceeds the anticipated state expenditures by $1 million or more, that surplus in excess of $1 million must be deposited into the Fund. If the Fund reaches and maintains a minimum balance of $120 million or more, the General Assembly must authorize a personal income tax decrease trigger of 1/10 of 1%, or greater. If the Fund exceeds a balance of $120 million the General

Assembly must authorize an additional personal income tax decrease trigger of 1/20 of 1%, or greater. When these triggers are realized, the Department of Revenue will implement the personal income tax decrease to take effect on January 1st of the immediately following calendar year.

There will be no cap on the number of reductions, and the decreases will remain in effect until the personal income tax is reduced to zero. Once the personal income tax is eliminated, the General Assembly will use the Fund to gradually reduce and eliminate the corporate income tax. After both the personal income and corporate income taxes are reduced to zero, those taxes must remain at zero.

After both the personal income and corporate income taxes have been reduced to zero, the Fund will continue to collect revenue. In the event that the state experiences a budgetary shortfall, the Fund may be used to supplement necessary funding. Priority of the supplemental funding must follow the Constitutionally mandated order imposed upon the General Assembly's authority of appropriation in Article III, Section 36. The amount of moneys used from the Fund to supplement must not exceed the lesser of:

(1) That year's budgetary shortfall; or

(2) Sixty million dollars for every 1/20 of 1% decrease of the personal income tax from the previous year.

The General Assembly will enact any law as may be necessary to carry out these provisions.

Currently, the Missouri Constitution prohibits the expansion of sales and use tax imposed upon any service that was not already subject to the tax as of January 1, 2015. This resolution repeals this prohibition.

This resolution also imposes a cap on state sales tax at 3.775%. The reduction will take effect upon the passage of any bill by the General Assembly that authorizes a new sales or use tax on any service that was not subject to a sales or use tax on January 1, 2015.

This resolution also imposes a state sales tax on lobbying services of 6%.