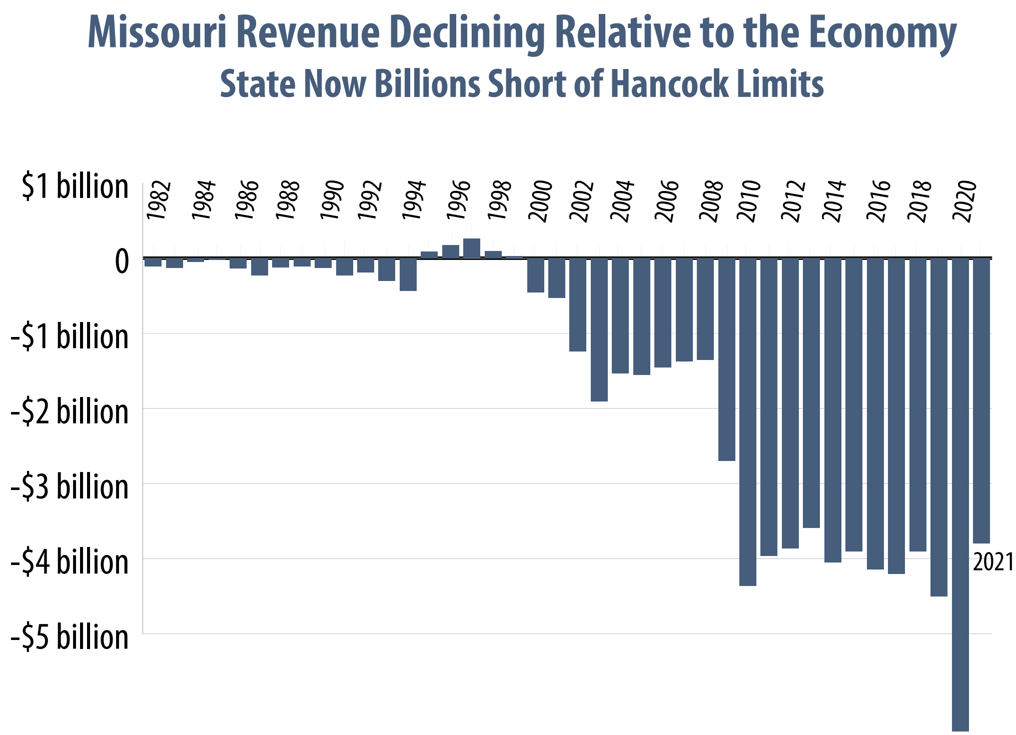
"Hancock Lid"



Source: The Office of Missouri State Auditor, Citizens Summary, August 2022

- In 1980, the Constitution of Missouri was amended to limit the amount of revenue raised by the state. This is commonly referred to as the Hancock amendment.
- The Hancock Amendment limits the amount of Missourians' personal income that may be used to fund state government to no greater than the portion used to do so in 1981, when it was 5.6 percent.
- Missouri revenue did not reach the Hancock limit until the late 1990s, when economic growth was exceptional. From 1995 to 2000, the state reached the lid every year and was required to refund nearly $1 billion to taxpayers.
- Though a significant amount of money as a whole, the average Missouri family received a refund of just $40 over those five years.
- Missouri revenue is now approximately $3.8 billion BELOW the Hancock lid.

Tax Cuts Follow After Hancock Lid Hit

	General Revenue Impact
Individual Income Tax Changes	
Income Tax Top Rate Cut from 6% to 4.5% (not yet fully implemented – at 4.95%)	($1,995,000,000)
Phase-out deduction for federal taxes based on income	$390,000,000
Non-Refundable EITC at 20% Federal	($15,000,000)
Exempt first $1,000 from tax	($45,000,000)
LLC Pass-Through Deduction of 20%	($204,000,000)
Corporate Income Tax Changes	
Rate cut from 6.25% to 4% and Apportionment Change	($30,000,000)
Sales Tax Change	
Wayfair Fix	$67,000,000
GENERAL REVENUE IMPACT	**($1,832,000,000)**

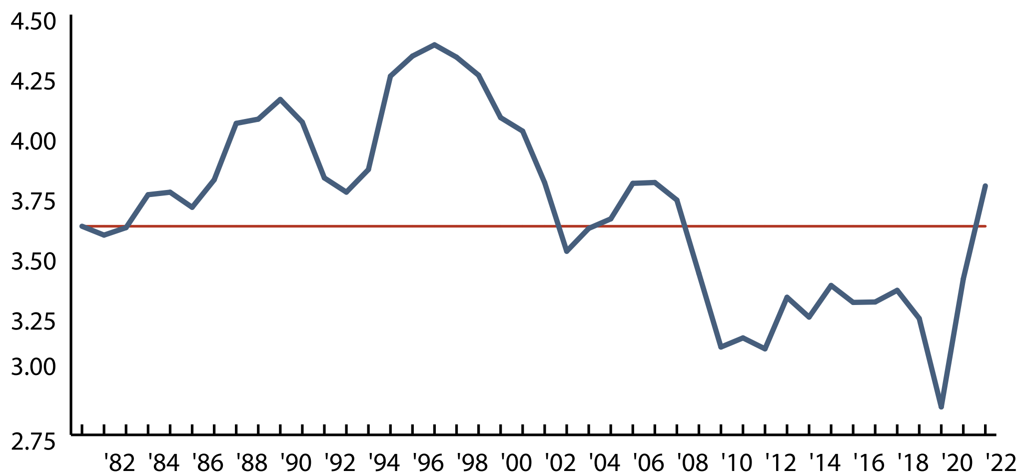
$1. 8 Billion = more than 15% of GR in FY 2023 = 85% of FY 2023 state general revenue funding for local schools

- Since 2014, Missouri legislators made multiple tax changes that reduce state revenue.
- While some of these cuts benefitted families, many were targeted to corporations, including a phase out of the corporate franchise tax and changes to the ways corporations can determine what profits are taxed.
- Overall, the tax changes significantly diminished Missouri's ability to invest in the services that help families, communities and the economy thrive.
- During a special legislative session in 2022, Missouri's General Assembly passed an individual income tax bill that disproportionately benefits Missouri's wealthiest households. When fully implemented, the tax changes will reduce state revenue by more than $1 billion annually.
- Combined, tax changes made since just 2014 will cost Missouri more than $1.8 BILLION every year.

Hancock Amendment & Voter Approval of Tax Increases

Missouri Invests Less in Services as GR Has Fallen Relative to the Size of the Economy

General Revenue as Percent of Personal Income, by Fiscal Year Compared to 1981 Baseline



- In fiscal year 2021, total state revenue was $3.8 billion under the Hancock refund threshold.
- This is reflected in net general revenue collections, which have declined significantly as a portion of the economy (measured by Missouri personal income) since the Hancock amendment passed.
- By nearly every measure, Missouri invests less in critical public services today than it did three decades ago.

- Another part of the Constitution requires voters to approve taxes or fees passed by the General Assembly that exceed specific annual limits.
- In fiscal year 2023, the legislature had authority to authorize tax changes that would generate up to $132.8 million.