

No MO Sales Tax

“Growing Missouri from the bottom-up”

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Talking Points

The Goal: Eliminate the state sales tax in Missouri (“before this decade is out”)

WHY?

- Taxes (as a general rule) depress economic trade and growth (cutting taxes boosts trade and growth)
- Sales taxes are regressive. The poor and lower incomes carry an unfair weight of the tax burden.
- Sales taxes force business to serve as tax collectors for the government.
- Eliminating Missouri sales taxes would especially benefit KC and St Louis area business (People in IL and KS will shop in MO. To a lesser extent other border regions would also benefit, such as Branson, Joplin, St. Joseph, Hannibal, Cape Girardeau, Sikeston.)

How fast?

Sales Taxes are about 25% of state revenues (roughly half as much as income taxes)

The rate for the state is 4.225%

Short-term: cut 1% off that rate over two years (roughly 5% of state revenues) [measure impact]

Long-term: continue cutting 1% over two years until the sales tax is eliminated

(The major gains of freeing business from tax collection will ONLY happen with total abolition.)

Most common objection: How to replace the lost revenue?

This is not a single answer. We agree the sales taxes must go, but there are several choices how to then adjust.

One solution is simply to cut back on state government, eliminating waste and improving efficiency,

If other taxes are raised to compensate, several choices also exist.

Eliminate TIFs and other targeted tax breaks. (Tax cuts should be broad and general, not privileged)

Lastly, the growth stimulated by the cuts will also compensate. Why is it when we cut income taxes, no one ever asks how we will “replace” the lost revenue? (The answer is always “we will grow our way out”)

A NEW political understanding: We believe in BOTTOM-UP tax cuts and TOP-DOWN spending cuts.

In theory Republicans like tax cuts and smaller government. Democrats like helping the poor and less well off.

Cutting sales taxes does BOTH of these. The real question is why hasn't this already been done?

Every politician says they want to help the working poor, the middle class and families.

The FIRST step is then obvious: STOP taxing them.

(One might label this new approach as small government progressives or share-the-wealth conservatives. It is a new political map: mostly “upper left” some “lower left” and also “upper right”)

Five states do not have sales taxes: Oregon, Montana, Delaware, New Hampshire, and Alaska

The five worst sales tax states are: Washington, Tennessee, South Dakota, New Mexico, and Louisiana

Endorsements

"You don't build a house top-down from the roof, you don't build a car from the middle out, when you build something to last, build it on rock, bottom-up from the foundation."

Kenny Newhouse

Jane Cunningham

Don Gosen

FAQ: Frequently Asked Questions

How would you replace lost revenue?

The organization takes no official stand.

There are several answers and more than one "right" way depending on other political views and differences.

One question: how come when we cut income taxes, no one asks how to make up the lost revenues?
Instead we hear that we will "grow our way out" by an expanded economy. So why not for sales taxes?

I would cut TIFs (Tax increment financing) and other special tax breaks first
Tax cuts should be general and broad-based for everyone
NOT targeted for a select and privileged few
Good business does not NEED a subsidy, Bad business does not DESERVE one.

IMF study shows that trading off property taxes for cuts in income and sales taxes is best for growth

My personal preference is to cut spending and lower the expenses of government
(I would make these cuts TOP-DOWN.)

It's interesting to me that whenever we cut taxes on the rich, no one points out that must then raise taxes on the middle and below-- instead we are told we will "grow" our way to greater revenues.

What is regressive taxation?

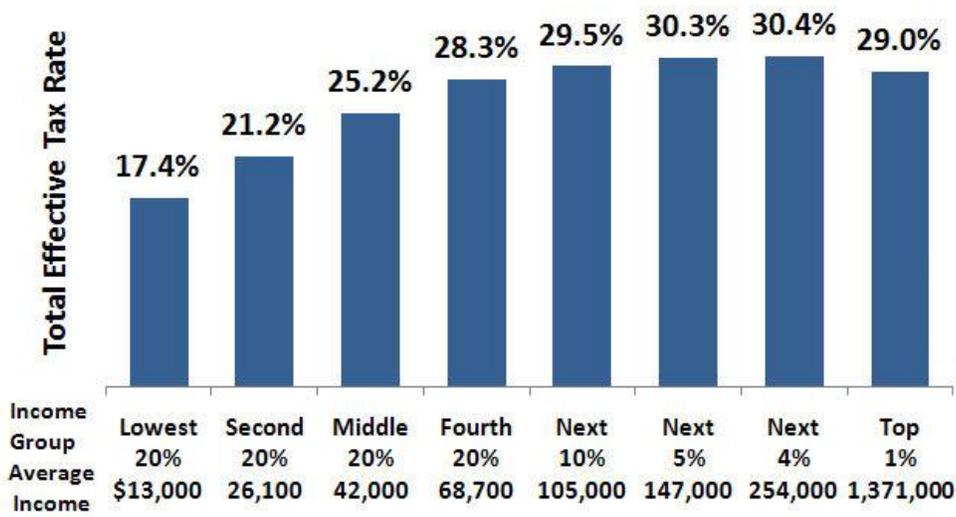
<http://legal-dictionary.thefreedictionary.com/Regressive+Tax>

A tax with a rate that decreases as the taxpayer's income increases.

The result of a regressive tax is that the lower-income taxpayer pays a larger percentage of his or her income in taxes than does the higher-income taxpayer. The opposite of the regressive tax is the progressive tax.

http://en.wikipedia.org/wiki/Regressive_tax

Total Effective Tax Rates in 2011



Source: Institute on Taxation and Economic Policy, www.ITEP.org, April 2012

What is a bottom-up tax cut approach?

A bottom-up tax cut is a reduction in taxes so that the lower levels of income benefit more proportionately than the higher levels. The most natural approach would be to establish a tax floor that exempts all taxes below that amount. For example abolishing income taxes below \$50,000 or property taxes below \$100,000 in property. The floor is a uniform deduction from the taxable amount. It is the same deduction for all, but it will then benefit lower incomes proportionally more. This is what we mean by a bottom-up approach to cutting taxes—establishing a floor (near the average income or net worth) below which the tax is abolished.

The real problem is and will always be the spending. Guess what? When the rich get most of the bill and their privileges get cut first (such as their Federal Reserve easy money)-- THEN and ONLY then will the spending come down. It is a pure fairy tale to think "the poor" are calling the shots. Utter nonsense. Completely ignorant of all human history. The rich and powerful call the shots in every society that ever existed on this planet. You don't like this system and consider it broken. Guarantee SOMEBODY likes it and it's working just fine for them. TARGET those people with higher taxes and LOWER the taxes bottom-up for the middle class. They then lose their phoney-baloney excuse that all these taxes are just to "help the poor and middle." Utter nonsense. CALL THAT BLUFF.

Bottom up tax cuts are just as much a bridge as any "fair tax." But one should ask: a bridge to what? If the goal is to lower taxes, the bottom-up approach does that simply and without adding any taxes. And yet THIS approach is EXCLUDED from even being considered? (That was my initial criticism and I stand by it.) The "fair tax" people need to learn that a "fair debate" requires that ALL the varying approaches be included in the choices. For most people, that is "only fair." I ask that the bottom-up tax cut idea be included whenever discussing various ways to eliminate the IRS. I am of course available to publicly debate these proposals and advocate the bottom-up approach. (I would eventually fund the national government by having the Feds take a uniform percentage (say 20%) of each state's revenues.) Such an idea is certainly good enough to be discussed, whether Herman Cain thinks so or not.

Why assume the goal is not to eliminate all the taxes we can? How come when we cut taxes for the rich, it's just fine and no class warfare? (LOWER rates for investment income than ordinary income? CAP social security taxes? ABOLISH inheritance taxes and no one says bupkus about it?) But when we take a bottom-up approach to tax cuts, all of a sudden it is evil class warfare? That's phoney. I'm fine with cutting all the way up, but we should start at the

bottom. Several points: 1) we got a lot of bills yet to pay. and the government does need taxes to operate. 2) when we cut taxes for the rich first, the upper crust doesn't care anymore and there's never a comparable follow-up for the middle. if we cut bottom-up, guarantee the rich will keep the momentum going. guaranteed. Lest we forget, Romney's tax rate was 15%. I wish mine had been that back in the day. 3) Seriously? Abolishing federal income taxes under \$100,000 would make NO difference? because we already DO that? That is simply too absurd a denial. 4) I only wish the donkey party would embrace bottom-up tax cuts. Frankly, there would be nothing left of an elephant party that opposed them. Even the pro-lifers would get rather shaky. 4) the earned income "tax" credit is NOT a tax. It is a welfare subsidy. We need to start getting rid of all this welfare and we need to START at the TOP for that. So how about NO FEMA for millionaires? The TARP bailout is a good example of "no banker left behind" FAT-CAT welfare. Jefferson ignored this, although he did oppose a national bank at the time, in part because he saw Hamilton's approach as special favors for an elite few at the top.

Was Jesus against regressive taxation?

Jesus gave blessing on "the poor." (see Luke 6:20) I do not think this means he hated the rich. It means rather that "to whom much is given, much is expected" (Luke 12:48) If Jesus was right, then bottom-up tax cuts are right. If bottom-up tax cuts are evil, then Jesus was evil.

Did Thomas Jefferson support bottom-up tax cuts?

Jefferson wrote: "life, liberty and pursuit of happiness." Why not "property?"

. . . it may be the pleasure and the pride of an American to ask, What farmer, what mechanic, what laborer ever sees a taxgatherer of the United States?"

Thomas Jefferson, Second Inaugural Address, 1805 March 4

For those who doubt Jefferson's vision to cut taxes BOTTOM-UP, here is yet more conclusive proof. (The date of the letter is rather unintentionally ironic for our times.)

"We are all the more reconciled to the tax on importations, because it falls exclusively on the rich, and with the equal partition of intestate's estates, constitutes the best agrarian law. In fact, the poor man in this country who uses nothing but what is made within his own farm or family, or within the United States, pays not a farthing of tax to the general government, but on his salt; and should we go into that manufacture as we ought to do, we will pay not one cent. Our revenues once liberated by the discharge of the public debt, and its surplus applied to canals, roads, schools, etc., and the farmer will see his government supported, his children educated, and the face of his country made a paradise by the contributions of the rich alone, without his being called on to spare a cent from his earnings. The path we are now pursuing leads directly to this end, which we cannot fail to attain unless our administration should fall into unwise hands."

Jefferson to Dupont de Nemours, 1811 April 15

Who was Dupont de Nemours? Jefferson met him in France. He and his family fled the French Revolution and came to America. It was the son of Jefferson's friend who founded the famous company with the Dupont name. They are one of the richest families in America-- adding even more significance to the quote. In a sense, Jefferson was delivering this message right in the face of the (future) plutocrats. Jefferson is clearly for small and limited government. But he is no plutocrat. More like the opposite.

See this letter from Jefferson to Madison (different Madison) 1785 Oct 28 " tax the higher portions or property in geometrical progression as they rise" I prefer flat rates are at least pretty close to flat rates, but Jefferson seems OK with geometrical progression.

Jefferson LIKED the goal of having the rich pay the taxes, even all the taxes. Jefferson's vision was for a small government with the average person paying no taxes. That is clear from the above letter and in several other letters and also his 2nd inaugural. Jefferson never read Ayn Rand.

Cutting sales taxes is a bottom-up approach, because such taxes are regressive. The fair tax is exactly the wrong approach and it's clear Jefferson would have opposed it, unless it was only on "luxury" items perhaps. Maybe a sales tax on homes above \$500,000 in value? (I note that sales taxes generally exempt such things as houses, stocks, bonds etc.)

What's "fair" about taxes?

I would say that "fairness" in taxation is based on how MUCH we tax and not so much on HOW we tax. Taxes, like war, are justified based on a social concept of the necessary functions of government. ANY taxes on anyone in any form above that amount justified for minimal government would then be stealing and thus unfair. There is no "fair" way to take one-third of people's incomes in taxes in a time of peace.

No taxation is fair when collected beyond the minimal purposes of government. The point is to shrink government (I did) in a way that lessens the wealth inequality (I did.) Our taxes are currently unfair. Making them lower overall and less burdensome on the lower half is two real good steps towards making things more fair, for most people. Again, we strongly prefer bottom-up tax cuts to top-down approaches. We are nearly the opposite of the so-called "fair tax" proposals.

I cannot agree with this statement as it stands: "it is evil to tax income and wealth, to tax based on income and wealth, or to cater to income and wealth."

First off, I am not an anarchist and I do maintain that SOME taxation is justified-- if confined and limited to pay for the minimal and uniquely limited purposes of government. (Things the free market cannot do in my judgment: police, military, Courts, etc. roads and such?)

To the extent that the AMOUNT and purpose of the tax is justified, then so are the means. Frankly, ALL taxes are taxes on income and wealth-- there is simply no other way to pay the taxes. EVEN sales taxes are taxes on property, wealth and income-- they are simply taxes on property when it is SOLD. A rather arbitrary line between good and evil in my judgment. If I own something and any tax on this ownership is evil, then don't I also have the right to sell it free of taxes?

Secondly, I have always maintained that envy is a sin and it is one of the most destructive-- for it is nearly pure evil-- envious people would rather that ALL suffer (including themselves) than have another person be free of sorrow. I can't imagine a sin more devastating to progress or civil society. It is as if NO ONE on the Titanic should get a lifeboat unless ALL can be saved. As if saving children and women first is somehow evil and wicked?

What is a bottom-up tax cut approach but a proposal to abolish income taxes for MOST Americans and then continue extending this until ALL can be saved? It is pure envy of the worst kind to OPPOSE such tax cuts for the poor because the rich don't get the same percentage. (Technically, the deduction is the SAME for all. The poor benefit more as percentage of their income. And yet HURTING the poor more with regressive sales taxes is supposed to be OK?)

And what about the "fair tax" proposal?

fairtax.org proposes the national sales tax rate at 23%.

To "correct" regressive taxation, a "prebate" is proposed: a universal federal handout and welfare-state nightmare

new federal tax collectors. (This level of federal intrusion into all business activity is unprecedented)

the fair tax is for those who want a large federal government with more of the bill paid by lower incomes.
it is also a political disaster.

no one is defending the income tax. that is typical fair tax distraction and fraud.
We should cut the income tax (bottom-up) and replace with nothing. problem solved.

"I'm not for a large federal government at all." Then why add a national sales tax? why not just cut income taxes?
If you can't cut income taxes without replacing them, what a fantasy to think sales taxes would get cut easier.
I have NEVER seen a sales tax cut in my lifetime. I've seen income tax cuts, inheritance tax cuts, property tax cuts,
but NEVER a sales tax cut.
The fair tax people simply PREFER regressive taxation.
They don't like poor people. They want them to pay more. Pure and simple.

Here's a better plan than 9-9-9: 8-8-8! Meanwhile the "fair tax" includes this little gotcha: "the FairTax provides a monthly universal prebate to ensure that each family unit can consume tax-free at or beyond the poverty level, with the overall effect of making the FairTax progressive in application." So we're to expand the number of people who get government checks to include EVERY man, woman and child in the country?! THIS is progress? I choose none of the above.

The fair tax and why it doesn't work

<http://wildhorsetownship.com/2013/08/09/the-fair-tax-and-why-it-doesnt-work/>

Research

There is no study on the impact of bottom-up tax cuts-- they simply haven't been tried in the past 50 years. We can simply proceed slowly and try it. We know a few things based on earlier studies and common sense.

The 2012 IMF study

<http://www.imf.org/external/pubs/ft/wp/2012/wp12257.pdf>

This 2012 IMF white paper is an extensive tax and growth study. It includes 69 countries and 20+ years of data, "the most comprehensive and up-to-date dataset on tax composition and growth."

The study found that "increasing income taxes while reducing consumption and property taxes is associated with slower growth over the long run."

Also that "a shift from income taxes to property taxes has a strong positive association with growth;"

The KEY to IMF is that it refutes the "fair tax" approach for purposes of growth.

"a shift from income to property taxes has a more significant and positive association with long-run growth than a shift to consumption taxes."

If the fair tax people really wanted growth, they would replace income taxes with property taxes.

So the growth is a phony issue—the real issue is shifting the burden more towards regressive taxation.

Also, IMF quotes an earlier study (Arnold, 2011) which IMF (p. 32) also CONFIRMS:

"Tax and growth ranking: recurrent taxes on immovable property are the least harmful taxes for the long-run GDP level, followed by consumption taxes, personal income taxes, and corporate income taxes."

Does the IMF study claim to "prove" that raising sales taxes will increase growth?

I don't know any economist who would recommend increasing sales taxes to grow an economy.

The issue is which tax methods are least harmful, NONE are beneficial to growth.

(The IMF approach is flawed when it compares across countries instead of within countries.)

The IMF disagrees with Arnold only in regards Corporate Income tax, which they say may not be the worst for growth. Their findings were inconclusive.

We of course deny that raising any taxes is a good way to grow an economy.

We hold that all taxes harm growth.

We agree on the rough ordering from most to least harmful taxes for growth purposes.

Other data

<http://www.taxhistory.org/Civilization/Documents/Sales/hst29003/hst29003.htm>

http://www.taxrates.com/state-rates/?_kk=sales%20tax%20chart&gclid=CKj25_Cxy7gCFdBcMgodmUEApg

http://en.wikipedia.org/wiki/Sales_taxes_in_the_United_States

http://en.wikipedia.org/wiki/File:Average_Effective_Sales_Tax_of_the_50_States_%282007%29.gif

http://en.wikipedia.org/wiki/File:19237_TaxFoundation_v2.gif

History of (Sales) Taxes

http://en.wikipedia.org/wiki/Sales_tax

Although the United States government has never used a general sales tax, an excise tax on whiskey enacted in 1791 was one of its first fund raising efforts. The unpopularity of this tax with farmers on the western frontier led to the Whiskey Rebellion in 1794.

Federal and state sales taxes in the United States remained selective, rather than general, through the 19th century. However, excise taxes were applied to so many specific commodities during the Civil War that they functioned collectively as a general sales tax.[24]

The first broad-based, general sales taxes in the United States were enacted by Kentucky and Mississippi in 1930, although Kentucky repealed its sales tax in 1936.

The federal government's per-gallon tax of gasoline (beginning at .01 cent per gallon in 1932) and per-package tax of cigarettes (\$1.01 per package since 2009) are the most well-known current sales taxes administered by the federal government.

Twenty-two other states began imposing general sales taxes later in the 1930s, followed by six in the 1940s and five in the 1950s. Kentucky re-enacted its sales tax law in 1960. Eleven more states enacted sales tax laws during the 1960s, with Vermont as the last in 1969. Only five states currently do not have general sales taxes: Alaska, Delaware, Montana, New Hampshire, and Oregon.[24]

The 2010 health care reform law imposed a 10 percent federal sales tax on indoor tanning services, effective July 1, 2010. Unlike previous federal excise taxes, this tax is collected directly from the consumer by the seller and based on the sale price rather than a quantity. However, the new tax is selective rather than general, applying only to a specific service.[

Miscellaneous articles and arguments

Here's a fair tax guy listing the arguments against and "refuting" them
<http://www.fairtaxwarrior.com/ArgDebunking.htm>

<http://trailblazersblog.dallasnews.com/2013/05/sen-ted-cruz-votes-against-online-sales-tax-bill-sen-john-cornyn-says-he-would-have.html/>

<http://kgov.com/national-sales-tax-debate-pros-and-cons>

<http://www.forbes.com/sites/timworstall/2012/08/22/why-the-fair-tax-will-fail/>

<http://dor.mo.gov/publicreports/taxablesales.php>

check out the spreadsheet on this link

<http://taxfoundation.org/article/facts-figures-2013-how-does-your-state-compare>

The Boston Globe thinks sales taxes are too high. That's amazing.

<http://www.bostonglobe.com/business/2013/08/06/massachusetts-sales-tax-holiday-this-weekend-but-why-can-have-save-all-year-long/fdZc2roIsv00f4DONnNO9J/story.html>

There Is No Such Thing as a Fair Tax

Mises Daily: Monday, December 12, 2005 by Laurence M. Vance

Review of The FairTax Book, by Neal Boortz and John Linder (Regan Books, 2005).

<http://mises.org/daily/1975>

Missouri residents say sales tax holiday has major impact

Posted: Aug 02, 2013 5:13 AM CST

By Nick Adams, Multimedia Journalist

<http://www.wgem.com/story/23026459/2013/08/02/missouri-sales-tax-holiday-underway>

Bloomberg News

Japan Sales Tax Increase Plan Triggers Some Concern in IMF

By James Mayger August 05, 2013

<http://www.businessweek.com/news/2013-08-05/japan-sales-tax-increase-plan-triggers-some-concern-within-imf>

Sales tax holiday a needed boost.

Published: Monday, August 5, 2013 at 5:30 a.m.

Daytona Beach News-JournalOnline.com

<http://www.news-journalonline.com/article/20130805/OPINION/130809776/1027?Title=Sales-tax-holiday-a-needed-boost>

News Stories about NMST (No MO Sales Tax)

TV episode KOMU channel 8 in Columbia, Wednesday August 14
<http://www.komu.com/news/enterprise-new-initiative-seeks-to-eliminate-sales-tax/>

Radio Interview KTRS 550 AM in St. Louis, Monday August 12
(no archive available)

Radio Interview KMOX 1120 AM in St. Louis, Saturday August 10
<http://stlouis.cbslocal.com/2013/08/10/tiam-weekend-no-mo-sales-tax/>

Radio Interview KRZK 106.3 FM in Springfield with Eric Farris, Sunday August 4
(no archive available)

Radio Interview KCMO 106.3 FM in Kansas City with Greg Knapp, Wednesday July 31
http://www.stationcaster.com/player_skinned.php?s=1071&c=5141&f=1691301

Group formed to end Missouri sales tax
St. Louis Business Journal Jul 30, 2013
http://www.bizjournals.com/stlouis/morning_call/2013/07/group-formed-to-end-missouri-sales-tax.html?ana=tw

Organization Formed To End Sales Tax In Missouri
KMOX July 29, 2013 6:05 PM
<http://stlouis.cbslocal.com/2013/07/29/organization-formed-to-end-sales-tax-in-missouri/>

Radio Interview KFTK 97.1 FM in St Louis with Dana Loesch, Wednesday July 24