

Study Commission on State Tax Policy

Study Commission Meeting

Wednesday, October 19, 2016

1:00 p.m.

Wainwright State Office Building

Each of the Work Groups met at 10:00 a.m. and at 1:00 p.m. the Commission met as a whole

- The Commission called roll and approved the minutes from the August 17, 2016 meeting

The Chairpersons of each Work Group reported on morning meetings

- Senator Hegeman gave a report on the Tax Administration Work Group
 - The group focused on 6 areas
 - Modernizing computer systems at the Department of Revenue
 - Taxpayer engagement
 - Accuracy and availability of tax data for practitioners
 - Personnel turnover at the Department of Revenue
 - Department of Revenue letter rulings (frequency and application)
 - Accessibility of Department of Revenue policies for practitioners and the public
- Daniel White reported on the Income Tax Work Group
 - Prioritized 3 main areas
 - Modernizing the rate table
 - Reviewing effectiveness of exemptions
 - Are they meeting their goals?
 - Modernizing the corporate income tax base
 - During the next meeting, the group will focus on gathering data
- Cindy Stein reported on the Sales and Use Tax Work Group
 - The group reviewed recent updates and changes
 - Discussed the streamlined sales tax agreement
 - Discussed manufacturing exemptions and how they were changed by a recent Missouri Supreme Court decision

A preliminary report is due by December 31

- For the November 15 meeting, Work Groups will meet in the afternoon and the Commission will meet as a whole in the morning.
- During the morning meeting the Commission will discuss what will be required of each Work Group.
- The likely format will include the problem or condition, the impact of that problem, whether the issue might be addressed and how, and any potential benefits to addressing the problem.
- Firm recommendations will not be in the preliminary report.
- Any additional information required should be requested as soon as possible.

The Commission heard public testimony

- Dylan Grundman - Senior Policy Analyst with the Institute on Taxation and Economic Policy (ITEP) testified
 - Slides from his presentation are available on the shared drive
 - He discussed principles used by ITEP to guide tax policy
 - He made several recommendations including a refundable Earned Income Tax Credit (based on the federal credit or entirely new), repealing the federal income tax deduction, reforming itemized deductions, revisiting SB 509 to address pass-through income, modernizing the income tax brackets, enacting combined reporting, and modernizing the sales tax.
 - He outlined the following 3 paths to avoid: shifting from income to sales taxes, cutting income taxes to grow the economy, and engaging in a “race to the bottom” with nearby states.
- Dr. Howard J. Wall – Professor of Economics at Lindenwood University testified
 - Taxes create distortions in the market and lead to less economic activity
 - Problem with low-income individuals is not that their taxes are too high, but that their incomes are too low
 - Argues in favor of broadening the tax base and lowering the tax rates to increase economic efficiency
- Colleen Mulligan from Vision for Children at Risk testified
 - Current tax structure does not provide appropriate support for families and children
 - Made 3 recommendations: modernizing income tax rates, adopting the Streamlined Sales Tax Agreement to capture taxes on internet purchases, enacting a refundable Earned Income Tax Credit

The next Commission meeting is scheduled for Tuesday, November 15 in Kansas City. The Commission will meet as a whole in the morning and hear public testimony. The Work Groups will meet that afternoon.