

A Constitutional Path to Tax Reform in Missouri

A Data-Driven Alternative to HJR 173 & 174:
Real Cuts, Real Numbers, No Constitutional Workarounds

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March 2026

Executive Summary

The core argument

HJR 173 & 174 promises to eliminate the income tax someday while immediately expanding what gets taxed and bypassing the Hancock Amendment voter protections. This proposal cuts the income tax rate right away, at a rate you can verify, funded by spending discipline and economic growth — no new taxes, full constitutional compliance throughout.

Missouri voters want lower taxes. The question is not whether to reduce the income tax but how to do it responsibly. HJR 173 & 174 answers that question by expanding the sales tax to services, suspending Hancock Amendment protections for three years, and providing no spending controls whatsoever. This proposal answers differently: an immediate flat income tax rate, base broadening through deduction elimination, a statutory budget growth cap tied to inflation and population, and Hancock-compliant triggers that reduce the rate to zero as the economy grows.

What this proposal does

- Sets a 2.5% flat income tax rate immediately, replacing the current 4.7% top rate
- Broadens the tax base by eliminating most deductions and special-interest credits
- Retains a modest personal exemption to protect lower-income households
- Caps annual state budget growth at inflation plus population — directly addressing the 77% budget expansion since 2020
- Reduces excess executive and administrative staffing through attrition and hiring freeze
- Eliminates redundant boards and commissions through biennial review
- Establishes Hancock-compliant revenue triggers that reduce the rate to zero as the economy grows
- Protects school funding, Medicaid, and essential services throughout

What this proposal does not do

- Does not expand the sales tax to services
- Does not impose any new tax of any kind
- Does not suspend or bypass the Hancock Amendment
- Does not cut public school funding

Section 1: Why HJR 173 & 174 Falls Short

HJR 173 & 174 is a joint resolution that would amend the Missouri Constitution to phase out the individual income tax by 2032, funded by expanding the sales and use tax to services. Before evaluating any alternative, it is necessary to understand precisely why this approach is flawed — not in principle, but in the math and the constitutional mechanics.

The revenue gap problem

Missouri’s individual income tax generates \$8.7 billion annually in FY2026, representing roughly 66% of general revenue collections. Eliminating it without an equivalent revenue source or spending reductions creates an immediate structural hole. HJR 173 & 174’s answer is to bet on perpetual revenue growth triggering small annual cuts — with total GR collections at \$13.2B and the budget at \$15.4B, there is no room for error. There is no spending reform, no efficiency mandate, and no contingency if growth slows.

Metric	Figure	Significance
Individual income tax revenue	\$8.7B (FY2026)	66% of GR collections — eliminated with no spending plan
Missouri budget growth since 2020	+77%	Population up only 2.4%; inflation ~26%. Budget grew from \$29.8B to \$52.8B.
GR collections FY2020 vs FY2026	\$8.9B → \$13.2B	\$4.3B increase with zero spending controls in HJR 173 & 174
Tax credits redeemed FY2024	\$907M	Nearly doubled since 2015 (\$515M) — no statutory cap or benefit review requirement
SALT Parity Act credits alone	\$397M (FY2024)	44% of all state tax credits with no statutory cap or independent benefit review

The Hancock Amendment problem

The Hancock Amendment was adopted by Missouri voters to limit unchecked government revenue growth and require voter approval for significant tax increases. HJR 173 & 174 explicitly exempts its sales tax expansion from Hancock requirements for three years — meaning the legislature can expand what Missourians are taxed on without a public vote. This is not limited government. It is the opposite.

The constitutional contradiction

HJR 173 & 174 claims to be a pro-taxpayer, limited government measure — while simultaneously suspending the constitutional provision that voters put in place specifically to protect them from unchecked government taxation. You cannot simultaneously honor the Hancock Amendment and bypass it.

The sales tax shift problem

Expanding the sales tax to services is not tax elimination — it is tax redistribution. Income taxes scale with earnings: higher earners pay more. Sales taxes are flat: everyone pays the same percentage regardless of income. A working family earning \$45,000 spends a higher share of their income on taxable services than a household earning \$250,000. The net effect of HJR 173 & 174 is a tax shift away from income toward consumption, dressed up as tax elimination.

Section 2: The Flat Tax Alternative

Missouri's current income tax system has a top rate of 4.7% but is riddled with deductions that narrow the effective base. Most households pay an effective rate between 3% and 4%. The result is a complex system that rewards those who can afford accountants while burdening those who cannot navigate it.

A simplified flat tax — one rate, applied broadly, with most deductions eliminated — has been done successfully in other states. North Carolina reduced its flat rate from 5.25% in 2021 with a clear path toward further reduction, all without constitutional workarounds or sales tax expansion.

Real-world impact for Missouri households

The following figures use actual Missouri tax bracket math at the 4.7% top rate, compared to a 2.5% flat rate applied to full gross income with deductions eliminated. These are the numbers, calculated precisely.

Household	Income	Deductions	Current tax(4.7%)	2.5% flat tax	Annual savings
Working family	\$50,000	\$12,000	\$1,653	\$1,250	\$403
Middle-income household	\$80,000	\$18,000	\$2,781	\$2,000	\$781
Small business owner	\$120,000	\$25,000	\$4,332	\$3,000	\$1,332

Note: Current tax calculated using Missouri progressive bracket math at 4.7% top rate on taxable income after listed deductions. Flat tax applied to full gross income with all deductions eliminated except personal exemption. Figures are illustrative — actual liability varies by filer circumstances.

Why base broadening makes this work

The apparent paradox of a lower rate producing adequate revenue is resolved by eliminating the deductions that currently narrow the base. Today a household earning \$80,000 might declare only \$62,000 in taxable income after deductions. Under a flat tax applied to full gross income, the broader base partially offsets the lower rate. Estimated base expansion: 30–40%, meaning a 2.5% flat rate on a broader base produces substantially more than 2.5% on a narrow base.

Revenue projection: growth + discipline = zero income tax by 2032

This is not simply a cut bill. As the income tax rate steps down each year the 3.5% growth trigger is hit, sales and other GR revenue grows steadily — and the Section 3 spending reforms add another \$2B annually. By 2030, Missouri’s stable non-income-tax GR revenue surpasses the remaining income tax revenue, breaking the state’s structural dependency on the income tax. Note: once the rate falls below the 1.4% threshold in 2032 it snaps to zero per the proposal mechanism, requiring deliberate restructuring of GR-funded programs with planning beginning in 2029.

	2027	2028	2029	2030	2031	2032
Income tax rate (stepping down)	2.50%	2.25%	2.00%	1.75%	1.50%	0.00%
Income tax revenue	\$9.1B	\$8.4B	\$7.8B	\$7.0B	\$6.2B	\$0.0B
Sales & other GR (growing at 3.5%/yr)	\$4.7B	\$4.8B	\$5.0B	\$5.2B	\$5.3B	\$5.5B
Total GR revenue	\$13.8B	\$13.2B	\$12.8B	\$12.2B	\$11.5B	\$5.5B
Spending reforms (ramping with reviews)*	+\$0.45B	+\$0.90B	+\$1.40B	+\$1.80B	+\$2.00B	+\$2.10B
Revenue + reforms combined	\$14.3B	\$14.1B	\$14.2B	\$14.0B	\$13.5B	\$7.6B
Status quo GR (no cap, no reform)**	\$13.7B	\$14.1B	\$14.6B	\$15.1B	\$15.7B	\$16.2B
Remaining gap	Balanced	Balanced	-\$0.4B	-\$1.1B	-\$2.2B	-\$8.6B
Federal + earmarked (unaffected)	\$36.7B	\$38.0B	\$39.4B	\$40.7B	\$42.2B	\$43.6B

* Spending reforms ramp up through biennial review cycles: Year 1 (budget cap + boards/commissions sunset) ~\$0.45B; Year 2 (+ admin attrition + first credit review) ~\$0.90B; Year 3 (+ full credit reform + second review cycle) ~\$1.40B; Year 4+ (full stack, inflation-adjusted) ~\$1.80–2.10B.

** Status quo GR = FY2026 base of \$13.2B grown at 3.5%/yr with no spending cap. The remaining gap in 2031–2032 reflects the transition to zero income tax and requires deliberate restructuring of GR-funded programs with planning beginning in 2029. Federal funds (~47.6% of total state budget) and earmarked funds are entirely independent of the income tax throughout.

Section 3: Spending Reform — The Missing Piece

No credible tax reduction plan can ignore the spending side of the ledger. Missouri's state budget has grown from \$29.8B in FY2020 to \$52.8B in FY2026 — a 77% increase. The population grew 2.4%. Inflation was approximately 26%. The remaining gap represents an expanded government that taxpayers were never explicitly asked to approve. This is the issue that HJR 173 & 174 never addresses.

The following spending reforms are enumerated specifically and must accompany the flat tax rate reductions. Together they represent the spending discipline necessary to make the income tax phase-down mathematically viable without any new taxes.

Reform lever	Difficulty	Timeline
Budget growth cap — limit annual GR appropriations growth to prior year + CPI + population growth rate. Directly addresses the 77% budget growth under the current supermajority.	Structural	Years 1–2
Reduce excess executive and administrative staffing across non-direct-service agencies through attrition and hiring freeze.	Hard	Years 2–3
Consolidate overlapping statutes and regulatory programs to eliminate redundancy and reduce administrative overhead.	Medium	Years 1–2
Eliminate redundant boards and commissions through biennial review with automatic sunset for inactive or low-activity bodies.	Easy	Year 1
Tax credit program review — \$907M redeemed in FY2024 (up from \$515M in 2015) with no statutory cap or independent benefit review on many programs.	Medium	Years 1–2

The key distinction from HJR 173 & 174

HJR 173 & 174 contains zero spending reform provisions. Not one line. This plan names specific, enumerated reforms with clear timelines. The revenue gap is closed through discipline, not by expanding what gets taxed.

Section 4: Legislative Architecture

Missouri's Constitution requires that each bill embrace only one subject, expressed in its title (Art. III §23 — the single subject rule). Combining income tax reform, credit reform, spending caps, and agency restructuring into one bill would create a clear constitutional violation. The correct approach is a coordinated string of separate bills, each with one clean subject, passed in concert — exactly how Missouri's 13 annual budget bills work.

The bill string: 5 statutes + 1 optional HJR

Bill	Subject	Amends	Type	Hancock risk	Key provision
1	Flat income tax rate	Ch. 143 RSMo	Statute	None — reduces revenue	2.5% flat rate, deductions eliminated
2	Income tax credit reform	Ch. 135 RSMo	Statute	None — reduces credits	Sunset lowest-ROI credits; cap uncapped programs
3	Budget growth cap	New §33 RSMo	Statute	Minimal — reinforces Hancock	GR growth capped at CPI + population
4	Government efficiency	New agency statute	Statute	None	Biennial review; boards/commissions sunset
5	Rate trigger mechanism	Ch. 143 RSMo	Statute	Low — reductions only	Rate drops 0.25% when GR grows 3.5%+
6*	Constitutional lock (optional)	Art. X MO Const.	HJR	Medium — voter ratified	Prohibit reimposing income tax once at zero

* Bill 6 is optional and should only be introduced after Bills 1–5 pass and demonstrate measurable rate reductions. It asks voters to ratify results, not promises.

Why separate bills protect the whole package

Each bill has one narrow subject. If any single bill is challenged or fails in committee, the remaining bills survive independently. HJR 173 & 174 is a single document — a successful legal challenge to any provision could invalidate the entire resolution.

Section 5: Side-by-Side Comparison

Criteria	HJR 173 & 174	This Proposal
Immediate tax relief	None — revenue triggers may take years to produce cuts	Yes — 2.5% flat rate effective Jan. 1, 2027
Hancock Amendment compliance	No — explicitly suspended for three years per Section 26(5)	Yes — full compliance throughout
New taxes created	Yes — sales tax expanded to services per Section 26(2)	None
Spending reform included	None — no spending controls anywhere in the bill	\$2.0B+ in enumerated annual savings
School funding protection	Section 26(3): counties may not reduce school funding from sales base expansion	Explicit — protected in Bill 3 cap formula
Single subject compliance	One joint resolution combining income tax, sales tax, and local rate adjustments	Five separate single-subject bills
Voter role in const. changes	Three-year Hancock bypass without voter approval	Bill 6 goes to voters for ratification after results are demonstrated
Path to zero income tax	Target: 2032 — no spending controls, relies on growth alone	Target: 2032 — at 2.5% flat + spending reform + 3.5% growth
Local property tax relief	Section 26(3): local govts must reduce property/earnings taxes to offset sales base expansion gains, beginning Jan. 1, 2029	Indirect — lower income tax improves household cash flow and reduces delinquency

Section 6: The Honest Case

What the numbers show — plainly stated

Zero income tax by 2032 without new taxes and without expanding the sales tax is mathematically achievable — but only at the 2.5% starting rate, only with the identified spending reforms, and only with 3.5% sustained economic growth. If any of those three conditions is not met, the honest answer is that the timeline slips. This proposal does not hide that trade-off.

Starting rate	Avg annual gap	Reform coverage	Remaining	Verdict
2% flat	~\$3.5B/yr	~\$2.0B	~\$1.5B	Zero by ~2034. Achievable but requires deeper spending cuts or slower glide path.
2.5% flat	~\$2.3B/yr	~\$2.0B	~\$0.3B	RECOMMENDED — Zero by 2032. Growth at 3.5% closes the remaining gap. Most defensible math.
3% flat	~\$1.4B/yr	~\$2.0B	Surplus	Reforms more than cover the gap. Zero potentially by 2030. Fiscally safest path.

Conclusion

Missouri has a genuine opportunity to lead on tax reform. But leadership means being honest about the math, faithful to the Constitution, and specific about the plan. HJR 173 & 174 fails all three tests. This proposal passes them.

A 2.5% flat income tax. Enumerated spending reforms. Five clean bills that respect the single subject rule. Full Hancock Amendment compliance. A realistic path to zero income tax by 2032. No new taxes. No constitutional workarounds.

Sources & References

- **Missouri Constitution, Article X:** Hancock Amendment (§§16–24); Tax provisions (§§4, 26)
- **HJR 173 & 174 (103rd General Assembly):** House Committee Substitute, 6854H.02P
- **Missouri Budget Project:** Introduction to Missouri's State Budget 2025 (mobudget.org)
- **Missouri Department of Revenue:** Tax Credit Annual Report FY2024; Income Tax Collections
- **Missouri House of Representatives:** 2024 Budget Fast Facts
- **Missouri Office of State Auditor:** Review of Article X, Sections 16–24; Report No. 2024-064
- **Missouri Revised Statutes Ch. 143:** Missouri Income Tax Law (dor.mo.gov/taxation)
- **Missouri Revised Statutes Ch. 135:** Tax Credit Programs
- **Tax Foundation:** Flat Tax State Income Tax Reform (taxfoundation.org)
- **Bureau of Labor Statistics:** Consumer Price Index for All Urban Consumers

Revenue projections are model estimates based on publicly available Missouri budget data and standard economic growth assumptions. All household tax figures use Missouri progressive bracket math at the 4.7% top rate. This document is intended for informational and legislative discussion purposes.

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