

How We Calculated the HJR 173 Sales-Tax Scenarios

A methodology reference for voters, journalists, and policymakers reviewing the rate math behind the November 2026 ballot question.

Prepared April 2026 by Act for Missouri • act4mo.org • Based on the truly-agreed-and-finally-passed version of HJR 173 (April 2026).

Plain-English Summary

HJR 173 would phase out Missouri's individual income tax and let the legislature expand the sales tax to services not currently taxed. Replacing \$8.51 billion in lost income tax revenue requires either a much higher sales tax rate, a much broader sales tax base, or a combination of the two.

This document shows how Act for Missouri calculated three possible scenarios. The takeaway: the only way to keep the state sales tax rate near 6% is to expand the tax base to services Missourians use every day, very likely including rent, healthcare, and professional services.

Act for Missouri supports eliminating Missouri's income tax — but believes HJR 173 is the wrong mechanism. We favor elimination through spending discipline and economic growth, without expanding the tax base. Our position is stated in full at the end of this document.

For full context on what HJR 173 does and why it matters, see the companion article [“What Just Passed the Senate — and What It Could Mean for Your Family”](#).

What This Document Is

This is a methodology reference — it shows the arithmetic behind the three sales-tax-rate scenarios in Section 3 of the linked article. It is not a position paper or a political pitch. The goal is transparency: anyone reading this should be able to follow exactly how the numbers were produced, check them against the cited sources, and reach their own conclusions.

All inputs come from public sources: the Missouri Department of Revenue, the Office of Administration's Budget Director report, the official TAFP fiscal note for HJR 173/174, and Missouri Department of Revenue rate tables. Where calculations were derived from those inputs, the derivation is shown.

Starting Inputs

Input	Value	Source
Personal income tax revenue (FY2025, gross individual income tax)	\$9.17B	OA Budget Director, June 2025 Net GR Report
Full-elimination cost (figure used in our calculations)	\$8.51B	TAFP fiscal note LR 6854S.13F, April 2026 (state Oversight Division)
Current state sales tax rate (total)	4.225%	Mo. Dept. of Revenue; Chapter 144 RSMo
General Revenue portion	3.0%	Same
Earmarks (Education 1%, Conservation 0.125%, Parks 0.1%)	1.225%	Same
Current GR sales tax revenue	\$3.09B	~\$1.03B per percentage point; cited in Mo. Independent reporting
Implied current taxable base	\$103B	<i>Calculated: \$3.09B ÷ 0.03</i>
Average local sales tax rate	4.22%	Mo. Dept. of Revenue rate tables
Maximum local sales tax rate	5.875%	Same

Note on the elimination figure: We use \$8.51B (the TAFP fiscal note's full-elimination figure) as the revenue that must be replaced. Using the gross PIT figure of \$9.17B would produce slightly higher rates in each scenario.

The fiscal note figure is preferred because it comes from the state's non-partisan Oversight Division and reflects the version of the bill that passed.

The Replacement Equation

To eliminate the income tax through sales tax, the General Revenue (GR) sales tax must generate **\$3.09B (current revenue) + \$8.51B (replacement) = \$11.60B annually**.

Required GR rate = $\$11.60B \div \text{Taxable base}$.

The three scenarios differ only in how big the taxable base is.

Three Scenarios at a Glance

Metric	A: Rate Hike Only	B: Moderate Expansion	C: Broad Expansion
Taxable base	\$103B (current)	~\$223B	~\$305B
Base expansion needed	None	~\$120B added	~\$202B added
Required GR rate	11.25%	~5.2%	~3.8%
Total state rate (incl. earmarks)	12.475%	~6.4%	~5.0%
Average combined (state + 4.22% local)	~16.7%	~10.6%	~9.2%
High-local areas (max local + districts)	18–19%+	13%+	11%+

Scenario A — Rate Hike Only, No Service Expansion

This scenario keeps the current sales tax base unchanged — the same goods and limited services that are taxed today — and raises the rate enough to replace the lost income tax revenue.

- **Base:** \$103B (unchanged from current)
- **Required GR rate:** $\$11.60B \div \$103B = 11.25\%$
- **Total state rate:** $11.25\% + 1.225\% \text{ earmarks} = 12.475\%$
- **Average combined:** $12.475\% + 4.22\% \text{ avg local} = \sim 16.7\%$
- **High-local areas:** $12.475\% + \text{up to } 5.875\% \text{ local} + \text{special districts} = 18\text{--}19\%+$

Scenario B — Moderate Service Expansion

This scenario taxes additional consumer services that other states with broader sales tax bases commonly include, while keeping rent, healthcare, and most professional services exempt.

Adds: haircuts, gym memberships, streaming services, repair services, personal services.

- **Total state rate (stated):** ~6.4%
- **Implied GR rate:** $6.4\% - 1.225\% = \sim 5.2\%$
- **Required base:** $\$11.60B \div 0.052 = \sim \$223B$
- **Base expansion needed:** $\$223B - \$103B = \sim \$120B$ in newly-taxed transactions
- **Average combined:** $6.4\% + 4.22\% \text{ local} = \sim 10.6\%$

Scenario C — Broad Service Expansion

This scenario is the only one that lands the state rate near 6%. It requires reaching into categories Missouri has historically not taxed, including some that affect essentials.

Adds (in addition to Scenario B categories): rent, real estate transactions, most healthcare services, professional services (legal, accounting, etc.).

- **Total state rate (stated):** ~5.0%
- **Implied GR rate:** $5.0\% - 1.225\% = \sim 3.8\%$
- **Required base:** $\$11.60B \div 0.038 = \sim \$305B$
- **Base expansion needed:** $\$305B - \$103B = \sim \$202B$ in newly-taxed transactions

- **Corroboration:** matches the “more than \$300 billion of transactions currently untaxed” figure cited by Rep. Matthiesen in House debate (Mo. Independent, March 2026).
- **Average combined:** 5.0% + 4.22% local = ~9.2%

What These Calculations Do and Don't Include

These figures are intentionally conservative. The simplifications below would, if anything, push required rates higher than shown.

1. **Static analysis.** These calculations assume no behavioral change in response to rate increases. In practice, taxing transactions reduces the quantity of those transactions, so actual revenue at any given rate would be lower than calculated. This means real-world required rates would be *higher*, not lower, than shown.
2. **No compliance cost included.** Businesses newly subject to sales tax incur compliance and administrative costs that pass through to consumer prices. Effective price increases to consumers would exceed the statutory rate alone.
3. **Tax cascading not modeled.** Taxing business inputs (B2B services) creates pyramiding where taxes flow through to final prices. If B2B services are exempted from base expansion (as most public-finance literature recommends), the base shrinks and required rates rise correspondingly.
4. **Local rate variability.** The “average combined” figure uses the statewide average local rate of 4.22%. Specific jurisdictions vary substantially. “High-local” figures reflect places where county, municipal, and special-district sales taxes stack to push combined rates well above the state average.
5. **Earmark adjustments.** Section 26.4 of HJR 173 requires Conservation and Parks dedicated taxes to be adjusted to maintain revenue-neutrality on their earmarked programs. The 1.225% earmarked portion is held constant here for clarity; actual implementation may shift slightly, but the directional effect on consumer-facing rates is small.
6. **Category lists are illustrative.** There may be reasonable arguments about which specific service categories belong in which scenario. The directional point — that the rate falls as the base expands, but only by reaching politically-difficult categories — holds across reasonable variations.

Cross-Check with Other Published Estimates

The Missouri Budget Project's published \$5B shortfall projection — using U.S. Bureau of Economic Analysis consumer-spending data and assuming healthcare and housing remain exempt — is consistent with the math underlying Scenario B. MBP's methodology is publicly stated; the calculations above are derived from official Missouri sources and arrive at directionally compatible numbers.

If readers are aware of a published methodological analysis that produces materially different numbers under the same exemption assumptions, we would welcome the opportunity to review it. Contact information is at the end of this document.

Sources

- Office of Administration, Missouri Budget Director's June 2025 Net General Revenue Report (FY2025 PIT figure).
- Committee on Legislative Research, Oversight Division, TAFP fiscal note for HJR 173/174, LR No. 6854S.13F, April 2026 (\$8.51B full-elimination figure).
- Missouri Department of Revenue, Sales/Use Tax page and 2025 Statewide Rate Tables (state and local rate structure).
- Missouri Independent reporting on House debate, March 2026 (\$1.1B-per-percentage-point figure; “\$300 billion of transactions currently untaxed” citation from Rep. Matthiesen).
- Missouri Budget Project, HJR 173/174 analysis and committee testimony, January–April 2026 (\$5B shortfall projection on healthcare/housing-exempt configuration).
- U.S. Bureau of Economic Analysis, state-level personal consumption expenditure data.

Where Act for Missouri Stands

Act for Missouri supports eliminating Missouri's individual income tax. We've been clear about this in our broader work, and we believe many Missourians across the political spectrum could agree on that goal. The disagreement isn't about whether to eliminate the income tax — it's about how.

HJR 173 eliminates the income tax through tax shifting, not actual tax reduction. The amendment is revenue-neutral by design — government collects the same amount from Missourians, just through a different mechanism. From our perspective, that isn't a tax cut. It's a rearrangement.

A better path is available. The Senate's claimed \$4.11 billion in budget cuts plus reasonable economic growth covers most of the \$8.51 billion in income tax revenue that needs replacement. With Republican supermajorities in both chambers and a Republican Governor, this is the rare moment when elimination through spending discipline is actually achievable. That path doesn't require asking voters to authorize a constitutional framework whose specifics arrive later. It doesn't create new taxes on rent, healthcare, childcare, and services Missourians use every day. And it preserves something Missouri has that the other no-income-tax states don't: a genuinely low cost of living. Eliminating the income tax while keeping consumption costs low would put Missouri ahead of Texas, Florida, and Tennessee — not just match them.

Constitutional changes should match their stated purpose. If the goal is income tax elimination, the constitutional text should require it directly. If exemptions for housing, healthcare, and other essentials are real commitments, they should be in the constitutional text. Statutory protections can be modified by future legislatures. Constitutional ones cannot. The structural design of HJR 173 matters as much as its stated purpose.

Use, Sharing, and Corrections

This document may be freely shared, printed, and republished. We ask only that calculations and sources not be modified without noting the changes, so the methodology remains verifiable. If you find an error or have a published counter-analysis you'd like us to review, please contact us through act4mo.org. Methodology transparency is core to our work; corrections are welcomed and credited.

About Act for Missouri. Act for Missouri is a principled conservative grassroots citizen-engagement organization — principle over party. We believe Missourians deserve to see the substance of the policies that affect them, not just the talking points. This methodology document is part of that work.