



GOVERNOR OF MISSOURI

JEFFERSON CITY  
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JEREMIAH W. (JAY) NIXON  
GOVERNOR

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June 11, 2014

TO THE SECRETARY OF STATE OF THE STATE OF MISSOURI

Herewith I return to you Senate Committee Substitute for House Committee Substitute for House Bill No. 1296 entitled:

AN ACT

To repeal sections 143.451, 144.049, and 144.080, RSMo, and to enact in lieu thereof three new sections relating to taxes based on sales, with an existing penalty provision.

I disapprove of Senate Committee Substitute for House Committee Substitute for House Bill No. 1296. My reasons for disapproval are as follows:

Senate Committee Substitute for House Committee Substitute for House Bill No. 1296 would continue a damaging trend by the General Assembly to enact special tax exemptions and credits that pick winners and losers through the tax code and shift a greater proportion of the tax burden to the majority of Missourians unable to utilize such loopholes. Not a penny of the special breaks in this bill or in the others that I am vetoing today<sup>1</sup> was taken into account in the Fiscal Year 2015 budget passed by the General Assembly, leaving it significantly out of balance and requiring swift action to protect the State's fiscal well-being. This is fiscally irresponsible and cannot receive my support.

In enacting Senate Committee Substitute for House Committee Substitute for House Bill No. 1296 and its brethren in the final hours of the legislative session, the General Assembly disregarded the normal legislative process, slipping in costly provisions without public hearings and without fiscal notes reflecting the impact on the state budget. And just as legislators ignored

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<sup>1</sup> Conference Committee Substitute for House Committee Substitute for Senate Bill No. 584; Conference Committee Substitute for Senate Committee Substitute for Senate Bill No. 612; Conference Committee Substitute for House Committee Substitute for Senate Bill No. 662; Conference Committee Substitute No. 2 for House Committee Substitute for Senate Bill No. 693; House Committee Substitute for Senate Bill No. 727; Senate Committee Substitute for Senate Bill No. 829; Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860; House Bill No. 1455; and Senate Substitute for Senate Committee Substitute for House Bill No. 1865.

the legislative process, so too did they disregard the budget process by passing a budget just a week earlier that failed to account for this final day spending spree. Unlike the fiscal impact of Senate Substitute No. 3 for Senate Committee Substitute for Senate Bill Nos. 509 & 496, which today's lawmakers have conveniently foisted off on future budgets for education, public safety and other vital public services, the fiscal impact of the special breaks I am vetoing today would begin impacting budgets in the fiscal year starting in less than 30 days. There are no delays, triggers, or other gimmicks that could be touted as shielding education, public safety, and other vital public services from the \$776 million in state and local revenue legislators voted to send to narrow special interests on the last day of session. While the General Assembly may have abdicated its fiscal responsibilities in failing to account for this budgetary impact, the resulting imbalance cannot be ignored and will have to be corrected through dramatic spending reductions.

Senate Committee Substitute for House Committee Substitute for House Bill No. 1296 and the other measures I am vetoing today would add to the more than 260 sales tax exemptions and tax credits that litter Missouri's tax code without requiring the creation of a single new job. The continued erosion of the tax base through such individualized exemptions and credits violates well-established principles of sound tax policy calling for a broad tax base so that tax rates can remain low. The General Assembly has ignored repeated calls to reduce these costly and inefficient carve-outs and has instead rushed through many more, leaving Missouri families to pick up the tab for education and vital public services.

The unabated growth of such special carve-outs and the fiscal irresponsibility of failing to budget for them are all the more troubling when the General Assembly is simultaneously seeking to raise taxes on all Missourians with what could be the largest tax hike in Missouri history. While the benefits of the more than one billion dollars in annual tax breaks passed by the legislature over the past two months will go disproportionately to the wealthy, the burden of this multi-billion dollar tax increase for transportation would fall disproportionately on Missouri's working families and seniors.

Throughout my time as Governor, I have worked with legislators on fiscally responsible ways to improve our tax code while protecting our state's fiscal health, including the four tax cuts that I have signed into law. Even during this legislative session, I worked directly with legislators to put forward a specific, concrete proposal that would have lowered taxes for Missourians and reined in costly and inefficient tax credits for special interests, broadened the overall tax base and reduced tax rates, while protecting our ability to invest in education and other vital public services. Unfortunately, the General Assembly refused to enact this broad tax relief in favor of narrow giveaways like those contained in Senate Committee Substitute for House Committee Substitute for House Bill No. 1296 and other bills that I am vetoing today. For the reasons stated herein, this is an endeavor I cannot support.

### **Sales Tax Holiday Expansion**

Senate Committee Substitute for House Committee Substitute for House Bill No. 1296 expands the back-to-school sales tax holiday by adding graphing calculators to the list of items that can be purchased tax-free. This expansion is projected to reduce state revenue by as much as \$200,000 annually, which the General Assembly failed to account for in the Fiscal Year 2015 budget they

passed. Like many of the tax provisions passed during the final day of session, this provision was not the subject of a public hearing in any Senate committee.

Because Senate Committee Substitute for House Committee Substitute for House Bill No. 1296 expands the current sales tax holiday without the General Assembly accounting for the accompanying revenue reduction in the budget they enacted, this expansion does not receive my approval.

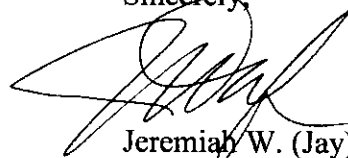
**Corporate Income Allocation**

Senate Committee Substitute for House Committee Substitute for House Bill No. 1296 would enable additional businesses to reduce their corporate income taxes by utilizing an alternative method of calculating the amount of their income that is derived in Missouri. Legislation enacted last year authorized this alternative allocation method for manufacturers and other businesses selling tangible personal property. This provision would expand this alternative method to sellers of intangible personal property and service providers such as law firms, accounting firms, stock brokers, bond traders, real estate holding companies, and consultants.

Like many of the tax measures enacted during the final hours of the legislative session, this provision was never the subject of a public hearing and was not accounted for in the Fiscal Year 2015 budget passed by the General Assembly. A change to Missouri's tax policy that would reduce state revenues by up to \$15 million annually according to the legislature's own estimate should be the subject of open debate, and the foregone revenue must be accounted for in the budget in order to receive my support.

In accordance with the above-stated reasons for disapproval, I am returning Senate Committee Substitute for House Committee Substitute for House Bill No. 1296 without my approval.

Sincerely,



Jeremiah W. (Jay) Nixon  
Governor