

5 REASONS MISSISSIPPIANS ARE CONCERNED ABOUT INCOME TAX ELIMINATION

1 JEOPARDIZES UP TO 1/3 OF THE STATE GENERAL FUND

State income tax generates about \$1.9-billion in state General Fund revenue each year, funds that will be lost if the income tax is eliminated. That's about 1/3 of the state's General Fund, which is used to pay for public education.

2 REVENUE CAP THREATENS TEACHER PAY RAISES & SCHOOL FUNDING

Mississippi's average annual revenue growth over the last 10 years is 3.2%; the tax cut proposal limits this growth to 1.5%. Proponents claim that "triggers" will protect the state from dramatic decreases, but those measures are vastly insufficient. Even with 3.2% growth over the past decade, Mississippi public schools remain underfunded by \$271-million, teacher salaries are the lowest in the nation, and the state provides public pre-k to only 16% of 4-year-olds. Drastic reductions in annual revenue growth would ensure that we are unable to bridge these gaps in the decade to come.

3 WEALTHY PAY LESS, RETIREES & WORKING FAMILIES PAY MORE

The proposal shifts the tax burden away from the wealthy and onto retirees and working families by eliminating the income tax and raising the sales tax on a wide range of products (retirees and low-income families pay little or no income tax). The increased sales taxes will negate some of the benefit gained from the proposed grocery tax cut.

4 UNLIKELY TO BE REVENUE NEUTRAL AS CLAIMED

Proponents claim the plan protects state agency budgets because it is revenue neutral, but indications are that the final legislation will not be. **Here's why:**

The initial proposal offset a portion of lost revenue by raising some corporate taxes, generating an immediate outcry from business executives, many of whom are campaign donors. Gunn acquiesced, removing the increases for manufacturers of farm implements and other corporations. We expect more such adjustments to the proposal, the final result being a significant loss of revenue for the state.

5 NOT A GOOD YEAR FOR A RISKY TAX CUT EXPERIMENT

Current state revenue is artificially inflated due to:

\$1B in federal stimulus - Federal stimulus payments to individuals and improved unemployment benefits drove increased spending, resulting in significant, but temporary, improvements in the state economy.

Delayed tax filings - Last year's filing deadline for state income taxes was postponed from April 15 to July 15, just past the start of the new fiscal year. Therefore, \$230-million in income taxes that would have been collected in the prior fiscal year were collected in this fiscal year.

Low comparison year - Revenue collections for last year were down 2.5% due to the pandemic and postponement of the tax filing deadline, driving up the percentage increase in the current fiscal year.