



GOVERNOR OF MISSOURI

JEFFERSON CITY

65102

JEREMIAH W. (JAY) NIXON  
GOVERNOR

P.O. Box 720  
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June 11, 2014

TO THE SECRETARY OF STATE OF THE STATE OF MISSOURI

Herewith I return to you Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860 entitled:

AN ACT

To repeal sections 143.221, 144.044, 144.049, 144.080, and 144.190, RSMo, and to enact in lieu thereof six new sections relating to taxation, with an existing penalty provision.

I disapprove of Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860. My reasons for disapproval are as follows:

Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860 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 Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860 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 the legislative process, so too did they disregard the budget process by

<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; Senate Committee Substitute for House Committee Substitute for House Bill No. 1296; House Bill No. 1455; and Senate Substitute for Senate Committee Substitute for House Bill No. 1865.

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, at both the state and local level, from the projected \$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.

Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860 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 other 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, broadening the overall tax base and reducing 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 Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860 and the other bills I am vetoing today. For the reasons stated herein, this is an endeavor I cannot support.

### **Tax Refunds to Delinquent Taxpayers**

Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860 would modify the established process for obtaining a sales tax refund by allowing a refund even when a taxpayer currently has overdue taxes. This provision is projected to reduce state and local revenue by up to \$10 million annually, although the General Assembly

failed to account for any of this fiscal impact in the Fiscal Year 2015 budget they passed. As with many of the tax measures passed by the legislature on the last day of session, this provision was not the subject of a public hearing in any Senate committee.

This provision would enable a business with significant tax delinquencies to get a tax refund for an unrelated overpayment of tax, where under current law the refund could be offset by the amount of tax delinquency. For example, under this provision even a business that owes \$100,000 in back taxes would be able to get a refund check from the state for a \$100,000 unintentional overpayment, so long as the \$100,000 tax delinquency is subject to appeal. Under current law, the \$100,000 refund would be offset by the entire \$100,000 tax delinquency, thereby eliminating the need to later engage in costly and inefficient collection efforts to recover the \$100,000 in overdue taxes. Such a change to the established refund process would unfairly reward those who fail to pay their taxes and would result in costly inefficiencies borne by all law-abiding taxpayers. Accordingly, this provision does not receive my support.

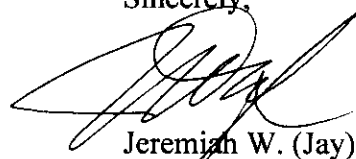
### **Sales Tax Holiday Expansion**

Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860 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 Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860 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.

In accordance with the above-stated reasons for disapproval, I am returning Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860 without my approval.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jay Nixon', written over a circular stamp or seal.

Jeremiah W. (Jay) Nixon  
Governor