



GOVERNOR OF MISSOURI

JEFFERSON CITY

65102

JEREMIAH W. (JAY) NIXON  
GOVERNOR

P.O. Box 720  
(573) 751-3222

June 11, 2014

Members of the General Assembly:

I am writing to inform you of my veto today of a number of bills passed during the final hours of the legislative session that put the Fiscal Year 2015 budget you passed significantly out of balance. These measures would also negatively impact the budgets of local jurisdictions around the state, in addition to reducing sales tax revenues that provide dedicated funding to education, highways, conservation, parks, and soil and water programs.

The bills I am vetoing today include House Bill No. 1296, House Bill No. 1455, House Bill No. 1865, Senate Bill No. 584, Senate Bill No. 612, Senate Bill No. 662, Senate Bill No. 693, Senate Bill No. 727, Senate Bill No. 829, and Senate Bill No. 860. Contained within these bills are loopholes and special breaks that a thorough fiscal analysis projects will permanently and immediately begin reducing state revenue by up to \$425 million annually and local revenue by up to \$351 million annually. Unlike the fiscal impact of Senate Bill Nos. 509 & 496, which was conveniently foisted off on future budgets, there are no delays, triggers, or other gimmicks that can be touted as shielding education, public safety, and other vital public services from the projected \$776 million in state and local revenue legislators voted to send to narrow special interests on the last day of session.

The special tax breaks in these bills are not fiscally responsible. Indeed, not a penny of them was taken into account in the Fiscal Year 2015 budget you passed. Although legislators may have abdicated their 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 by state and local governments. In addition to disregarding the budget process, legislators ignored the normal legislative process in rushing these bills to passage, slipping in costly provisions without public hearings and without fiscal notes reflecting the impact on state and local budgets.

Just as these measures were not accounted for in the state budget, neither has their impact been accounted for by the local jurisdictions that rely on local sales tax revenue to support police, fire, ambulance, emergency services, parks, children's services and many other vital public services. Indeed, the reduction in local revenue resulting from these special breaks could impact repayment of voter-approved bonds issued to finance capital improvements such as county jails, county hospitals, fire stations, emergency management centers, road projects and other critical public infrastructure.

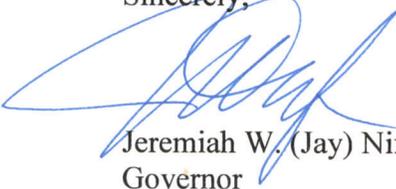
The new exemptions and loopholes in the bills that I am vetoing today are not the mere clarifications their supporters claim. Instead, they seek to overrule no fewer than twenty Missouri Supreme Court decisions going back to 1977 that have been followed by the Department of Revenue over the course of previous and current administrations. The court cases sought to be abrogated by this legislation ruled that the laws enacted by the General Assembly required a tax to be collected, notwithstanding that a particular business had hoped to be excused from the legal obligations we all share. While it is well within the rights of a losing litigant to petition their elected representatives, it is wholly disingenuous to call doing so here anything other than what it is—seeking a special exemption from the law, as currently written and as confirmed by the courts.

The bills I am vetoing today appear to be part of an ongoing effort by the General Assembly to enact special exemptions and credits that pick winners and losers through the tax code and shift a greater tax burden to the majority of taxpayers who are unable to utilize such loopholes. With more than 260 current sales tax exemptions and tax credits, the continued erosion of the tax base through additional individualized exemptions and credits violates well-established principles of sound tax policy that call for a broad tax base so that tax rates can remain low. Indeed, legislative leadership has recently called for a comprehensive review of this dizzying array of tax exemptions. But rather than heeding calls to reduce costly and inefficient carve-outs, legislators have instead rushed through many more, leaving Missouri families to pick up the tab for education, law enforcement, and other vital public services.

The unabated growth of these 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 legislators have passed over the last 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 and balancing the budget, 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, legislators refused to enact this broad tax relief in favor of narrow giveaways. That is an endeavor I cannot support.

Sincerely,



Jeremiah W. (Jay) Nixon  
Governor