

Missouri Plans Broad Tax Reform, Revenue Director Says

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Income taxes are not “a particularly efficient, effective, or fair way to raise revenue” and do not “incentivize behaviors that drive economic growth,” Missouri’s revenue director recently said.

In a lengthy interview with Tax Analysts September 20, **Joel Walters**, who [Gov. Eric Greitens \(R\) appointed in February](#) to head the Department of Revenue, said he is a “believer that more transactional, broader, economic activity-style taxes are fairer and more efficient than an income tax.”

And that is a quandary for Missouri, said **Walters**, who is serving in his first government job after decades in the private sector. Missouri raises 71 percent of its general revenue from the individual income tax and close to 4 percent from the corporate income tax.

“Nearly 75 percent from income taxes — I would put that forward as Challenge Number One” for Missouri’s tax regime, **Walters** said.

Walters is thinking about these things now because he is preparing for Greitens a white paper that will focus on broad tax reform for Missouri. For the first few months of his term, he was chair of [Greitens’s Committee for Simple, Fair, and Low Taxes](#). That committee produced [a report](#) June 30 that focused primarily on recommendations about tax credits, and then decided **Walters** should write a paper on reform of the entire tax regime.

Walters said he will not recommend actions, but rather will present ideas that are worth discussion. Less reliance on the income tax and other ways to raise revenue will be a cornerstone of the paper, which he said he plans to complete in the next several weeks.

Walters is both a veteran practitioner and corporate tax specialist. Before joining state government, he spent five years at PwC as U.S. inbound tax leader and global tax communications leader. Before that, he was corporate finance director at Vodafone and group tax director at Diageo. Earlier, he was with the former Price Waterhouse.

Walters said he didn’t spend much time working in state and local taxes in those jobs, but said 35 years working in tax policy helped him get up to speed quickly at the DOR. He said he feels very comfortable with both principles and practice. One issue that translated very well, **Walters** said, is his view on the necessity of a simpler system.

There, too, Missouri has work to do, he said.

“Our corporate income tax has over 600 credits, exemptions, and special rules,” **Walters** said. “Our sales tax has another 200 special rates and exemptions. I look at that and I see a very complex environment that I don’t think is conducive to fairness, stability, or a transparent, certain, business environment to operate in.”

Walters said he does not think Missouri should add another tax, but he wants to discuss eliminating the corporate income tax and reducing the individual income tax. In that light, he said, a gross receipts tax “is worthy of consideration as a replacement.”

Walters said his private experience has made him aware of concerns about tax pyramiding and other things many policy experts dislike about a gross receipts tax. But he said he still thinks the tax is worth talking about as a possibility for Missouri.

For one thing, **Walters** said, he thinks the gross receipts tax is a simple tax.

“It’s a number times a rate,” he said. “It gets you out of the business of picking winners and losers. It gets you out of the business of a complex system. It is also a much more stable stream of income for the state as opposed to something that is more volatile [the income tax] and is impacted by upturns and downturns.”

On the sales tax side, **Walters** said his paper will include consideration that Missouri join the Streamlined Sales and Use Tax Agreement. While the state has not created legislation or a rule that would directly challenge *Quill Corp. v. North Dakota*, **Walters** said he thinks less direct methods such as Colorado’s reporting law should be part of a tax reform discussion.

“We should be thinking about all the things you could consider to address this issue [remote sales] in all or in part,” **Walters** said.

He said tax administration will be a key part of his paper as well. Following Greitens’s executive order to all agencies, the DOR has been reviewing its regulations.

“I have a stack on my desk that are in final review, to recommend rescission,” **Walters** said.

But he also said he recognizes that a revenue department may be a unique agency because “regulations and guidance can be viewed as helpful as opposed to restrictive if they help the taxpayer understand our interpretation.”

And so, **Walters** said, the DOR has commenced several projects on providing more guidance and finding the best way to do so.

“I expect that, in the new few months, we will be up and running on both sides of the equation — getting rid of some of the unnecessary, as well as providing the helpful,” **Walters** said.

He said he believes that Missouri can put together a revenue-neutral tax package that will spark economic activity.

“How do we do a revenue-neutral package that fundamentally changes tax policy in Missouri such that it will attract economic activity and drive up revenue for the state?” **Walters** asked. “Not because of a big tax decrease, but because we got the policy right. I think that’s a concept that is important, that I will be putting forward.”

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