



Impact of the Everything Tax on Retirees

Lawmakers are considering swapping out the income tax for a greatly expanded sales tax - **rigging the system for the wealthy and hurting Missourians and their communities.**

[Despite Changes to Income Tax, Most Missourians Would Pay More in Taxes](#)

This tax scheme proposes a new sales tax on the basic services Missourians use every day - like haircuts, home and car maintenance. Even gas could have an additional 8.5% sales tax applied to it. **This results in a net tax increase for as many as 80% of Missourians – only the very wealthiest get a tax cut.**

In fact, an average Missourian making \$65,000 a year will face a net \$535 tax increase. **Older adults, including retired teachers, will likely face an even larger tax increase.** Legislation passed in 2023 made all social security, and public pensions up to the maximum social security benefit, exempt from the state income tax. According to the Missouri Department of Revenue \$47,633 of pension income was already exempt from state income tax in 2025– and that amount increases annually.

In 2025, the average pension through Missouri’s Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) was \$31,304 – well below the social security maximum.¹ As a result, the vast majority of retired teachers are already not paying state income tax. Under this tax scheme these folks will not get an income tax cut and **will only see their taxes increase due to the greatly expanded sales tax – making it much more difficult for folks with fixed incomes to afford basic expenses.**

[Tax Proposal Would Blow \\$5 Billion Hole in State Budget, Causing Devastating Cuts to Education, Other Services for Missourians.](#)

The tax scheme would create a \$5 billion budget shortfall. In context, that’s more than the amount of general revenue Missouri contributes to local schools, higher education and workforce development combined. If the shortfall is distributed proportionally across the state budget, it would result in a \$1.4 billion cut to school funding, the equivalent loss of 27,000 teachers or over 46,000 support staff statewide.²

Moreover, Missouri’s spending on services for older adults is already among the lowest in the nation, with area agencies on aging seeing flat funding, while the number of older adults is growing. Missouri also has the highest share of older adults with low care needs in nursing homes (1 in 4 in MO compared to fewer than 1 in 10 as the national average).

¹ Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS)

² See Missouri Budget Project, [Schools Face 18% Cut Under Tax Scheme](#), March 4, 2025



Schools Face 18% Cut Under Tax Scheme

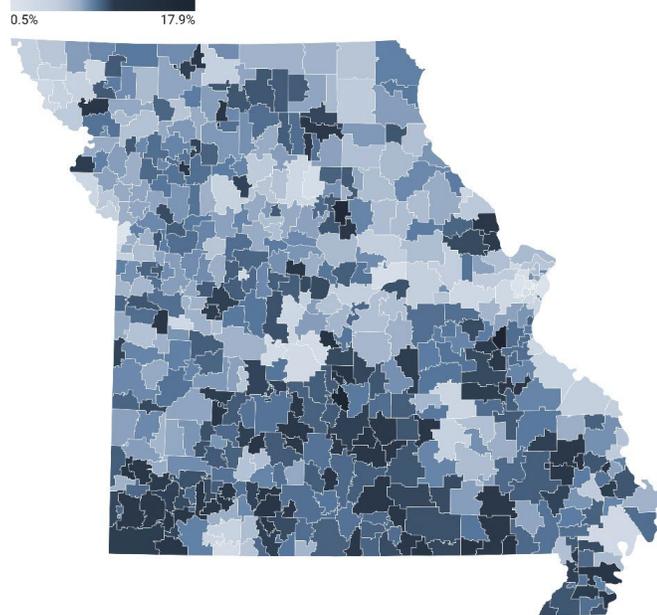
Lawmakers are considering swapping out the income tax for a greatly expanded sales tax. **The proposal would blow a \$5 billion hole in the state budget, causing massive cuts to schools, particularly in rural areas.**¹

If resulting cuts are equally distributed across the budget, state general revenue funding for local schools would be cut by more than one-third, or \$1.4 billion statewide.² Depending on the school district, this could result in a nearly 18% cut in TOTAL school revenue including local funds.³

On average, that is a cut of **over \$1,800 per student** and is the equivalent of the **average salary of nearly 27,000 teachers or over 46,000 support staff** (such as bus drivers, cafeteria workers, custodians, paraeducators, and office staff) across all of Missouri’s local school districts.⁴

ELIMINATING THE INCOME TAX WOULD CREATE A \$5 BILLION HOLE IN MISSOURI’S BUDGET, LEADING TO CUTS FOR LOCAL PUBLIC SCHOOLS

Estimated Budget Cut as a Share of Total School District Budget



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NOTES

¹ Missouri Budget Project analysis of U.S. Bureau of Economic Analysis, "[SAPCE1 Personal consumption expenditures \(PCE\) by major type of product](#)" (accessed February 2026) and FY2027 Consensus Revenue Estimate (CRE) from the Missouri FY 2027 Executive Budget.

² A \$5 billion cut to general revenue cut translates to a 35% cut in services funded by general revenue. This analysis illustrates the potential impact of a 35% cut to the portion of annual expenditures that are funded by state general revenue in local school districts.

³ Missouri Budget Project Analysis of Department of Elementary and Secondary Education, [Finance Data and Statistics Summary for All Districts/Charters](#) (accessed February 2026).

⁴ Average cut per student based on Average Daily Attendance (ADA) for each school district Department of Elementary and Secondary Education, [Finance Data and Statistics Summary for All Districts/Charters](#) (accessed February 2026).; Number of teachers and support staff based on average teacher and education support professional salaries in Missouri_National Education Association, [Educator Pay in America](#) (accessed February 2026).