

## **Missouri, Washington Epitomize a Country Diverging on Income Tax Policy**

by Andrew Wilford

Reprinted from *Tax Notes State*, April 13, 2026, p. 87

## Missouri, Washington Epitomize a Country Diverging On Income Tax Policy

by Andrew Wilford



Andrew Wilford

Andrew Wilford is the director of the National Taxpayers Union Foundation's Interstate Commerce Initiative.

In this installment of Commerce Crossroads, Wilford examines states' efforts to phase out, adopt, and change their income tax policies, focusing on Missouri's and Washington's diametrically opposed approaches.

Copyright 2026 Andrew Wilford.  
All rights reserved.

On March 12 lawmakers in the Missouri House passed H.J.R. 173,<sup>1</sup> allowing the bill to be sent to the state Senate. Just one day earlier, S.B. 6346 passed the final procedural hurdle in Washington's state Senate, allowing the bill to be sent to the governor.<sup>2</sup>

These temporal similarities represent the extent of the common ground between the two bills. Where Missouri H.J.R. 173 would set the state on the path to eliminate its income tax, Washington S.B. 6346 is an attempt to create one. They're indicative of a broader divide in tax policy between states trying to become more competitive and states seeking to fund new spending.

Republicans and Democrats having differing views on tax policy is nothing new. The difference is the extent to which states' tax policies have swung in opposing directions. Twenty-three states have cut their top individual income tax rate since 2021, while six states and D.C. have raised it. Although most states had top rates of about 6 percent two decades ago, they now diverge significantly.<sup>3</sup>

This tax polarization has coincided with a rapid acceleration in long-standing migration trends from high-tax states to low-tax ones. In 2012 domestic migration resulted in a net shift of about 415,000 residents from migration-losing states to migration-winning states. A decade later, the latest year of IRS data, that shift comprised 892,000 residents.<sup>4</sup>

Missouri and Washington aren't the only states considering significant tax policy changes this year. Billionaires are fleeing California at a record pace as organizers continue to gather petitions to put California's wealth tax proposal on the ballot in November,<sup>5</sup> while Arkansas Gov. Sarah Huckabee Sanders (R) has made clear her desire to see Arkansas adopt a plan to phase out the state's individual income tax.<sup>6</sup> Nevertheless, Missouri's and Washington's bills remain the most advanced — and likely to be enacted — changes, representing opposite ends of the tax policy spectrum.

<sup>3</sup>Jared Walczak, "State Income Tax Trends: The State Income Tax Divergence," Tax Foundation Tax Policy Blog, Feb. 2026.

<sup>4</sup>IRS, "SOI Tax Stats — Migration Data" (Mar. 20, 2026).

<sup>5</sup>Andrew Wilford, "California Wealth Tax Proposal Achieves a New Feat in Tax Policy: Losing the State Money Before It Even Becomes Law," National Taxpayers Union Foundation (Feb. 19, 2026).

<sup>6</sup>Office of Arkansas Governor Sarah Huckabee Sanders, press release, "Governor Sanders' Letter on Her Balanced Budget" (Mar. 4, 2026).

<sup>1</sup>H.J.R. 173, 103d Gen. Assemb., 2d Reg. Sess. (Mo. 2026).

<sup>2</sup>S.B. 6346, 2025-2026 Reg. Sess. (Wash. 2025). Gov. Bob Ferguson (D) signed S.B. 6346 into law March 30. Paul Jones, "Washington Governor Signs Millionaire's Income Tax Bill," *Tax Notes State*, Apr. 6, 2026, p. 62.

### The Cut: Missouri

Missouri's bill is a joint resolution that if enacted, would put a constitutional amendment before voters in the November election. The first part of this amendment would repeal Article X, section 26 of the Missouri Constitution, the product of a ballot measure passed a decade earlier.<sup>7</sup> Section 26 prohibits the imposition of new state or local sales taxes on services that were not taxable as of January 1, 2015.

Instead, the Missouri General Assembly would be empowered to expand the sales tax base to services for the express purpose of eliminating the individual income tax. The current 4.7 percent individual income tax rate would automatically decrease by 0.01 percent for each \$20 million (inflation-adjusted) increase in general fund receipts over fiscal 2025 general fund receipts. The maximum that the income tax rate could decrease in a single year would be 1.6 percent. Should the rate decrease below 1.4 percent by these triggers, the individual income tax would be eliminated.

The last major provision in the proposed amendment would prevent localities from receiving a windfall from the expansion of the sales tax base. Beginning in 2028, local sales tax rates would be subject to a rollback to a rate that allows the locality to collect the inflation-adjusted median of sales tax revenues between 2024 and 2026, and no more.

Critics of this proposal have been quick to portray it as another "Kansas" or "Brownback 2.0,"<sup>8</sup> in reference to former Gov. Sam Brownback. Three other states — Kentucky, Mississippi, and Oklahoma — are already on a statutory path to individual income tax elimination without the fiscal sky falling, while many more have cut individual income taxes substantially. Those states include Kansas itself, which has adopted a new income tax cut without budgetary problems.

Kansas's infamous 2012 tax cut was so disastrous because it was entered into without a plan. Although the original plan was to cut taxes and spending by about one-sixth of the total budget, lawmakers eventually dropped the

spending cuts and counted on economic growth to somehow *immediately* plug the gap from eliminating taxes on passthrough income. Predictably, it did not.<sup>9</sup>

The states that have set themselves on a path to income tax elimination in the years since have relied on trigger mechanisms. Although the exact design of these triggers differs slightly, the principle is the same: If certain revenue or reserve fund targets are met, a rate cut takes effect. This process of triggered rate reductions continues until, eventually, the income tax is eliminated. This allows time for the tax cut growth to take effect and ensures that rate reductions occur only if the state's budget can absorb them.

This method has proven successful across many states. In the decade after Kansas's Brownback tax cut, Jared Walczak of the Tax Foundation found that revenue growth was greater in the 25 states that cut taxes than in the four states and D.C. that raised them. Population growth, too, was 70 percent greater in the tax-cutting states than in the tax-raising ones.<sup>10</sup>

This highlights a key distinction between tax cut debates at the state and federal levels. Migration — upon which individual income tax policy has only a limited impact at the federal level — can be greatly influenced by individual income tax changes at the state level. Net migration effects that took place in 2025 alone will generate an estimated \$4.2 billion in additional state and local revenue for Florida, while they lost California an estimated \$4.5 billion.<sup>11</sup> Considering that migration effects compound annually (interstate migrants pay taxes to their new state in each subsequent year, not just in the year they move), migration can be a major factor in tax-competitive states counterintuitively having an

<sup>9</sup>Walczak, "Two Dozen States Show Why the Kansas Critique of Income Tax Cuts Is Mistaken," Tax Foundation (May 24, 2022).

<sup>10</sup>*Id.*

<sup>11</sup>See the map "Florida Gained the Most Population. California, New York, & Illinois Lost the Most" in Wilford, "Florida Continues to Attract New Residents; New York, California, and Illinois Lose the Most Population," National Taxpayers Union Foundation (May 29, 2025), which shows the effect of interstate moves on each state's estimated revenue in 2025 if current trends continue. The data underlying the map regarding revenue impacts is available on the National Taxpayers Union Foundation website ("Table 2: Interstate Migration Means an Extra \$4.1 Billion in Revenue for Florida, \$4.5 Billion Less for California").

<sup>7</sup>Mo. Const. Art. X, section 26.

<sup>8</sup>Michael A. Smith, "Opinion: Kehoe Tax Cut Plan Is Brownback 2.0. That's Not a Good Thing," *St. Louis Post-Dispatch*, Jan. 30, 2026.

easier time budgeting than their tax-hiking counterparts.

Missouri has plenty of room to benefit from these dynamics. While Missouri gains a new resident about once every hour from interstate migration, its neighbor with no income tax, Tennessee, gains a new resident every eight minutes on average.<sup>12</sup> With the exception of Tennessee, however, each of Missouri's neighbors has a top individual income tax rate within 1.2 percentage points of Missouri's, giving it an opportunity to separate itself from the pack.

### The Hike: Washington

Washington's proposal, S.B. 6346, would create a new 9.9 percent income tax going into effect in 2029. A \$1 million standard deduction would be available to all Washington residents, regardless of filing status, and would be indexed to inflation. This comes just three years after the state supreme court sided with the government in *Quinn*, a challenge to a new 9 percent tax on capital gains income.<sup>13</sup>

At issue in that case, and still at issue here, is that past court decisions have held that the imposition of state income taxes violates the Washington Constitution. The state constitution declares that "'property' as used herein shall mean and include everything, whether tangible or intangible, subject to ownership."<sup>14</sup>

Under *Culliton*, a Washington Supreme Court decision from 1933, this has been interpreted to mean that income is property.<sup>15</sup> This is a matter of great inconvenience to the state government because taxes on "property" are subject to two constraints under the state constitution: They must be applied uniformly and they may not exceed a rate of 1 percent. In practice, this means that the only permissible income tax under the state constitution is a 1 percent flat tax.

*Quinn* sidestepped the question of the constitutional interpretation of income by accepting the government's claim that the capital

gains tax was not an income tax, but an excise tax on the sale of capital assets. Nevertheless, success in establishing a tax on what is broadly recognized as a category of income in capital gains has emboldened state legislators to establish what is unambiguously a tax on income.

Washington voters have long opposed such a tax. Attempts to amend the constitution via ballot measure to allow for a new tax on income were rejected by voters in 1934, 1936, 1938, 1942, 1944, 1970, 1973, 1975, and 2010.<sup>16</sup> Perhaps with this voter antipathy in mind, section 1208 of the bill invokes a clause in the state constitution preventing the tax from being overturned via ballot measure by declaring the tax "necessary for the support of the state government and its existing public institutions," even though it won't go into effect until 2029.

No state is a better case study in how veering into tax-and-spend policies can turn a once prosperous and attractive state upside down than Washington. Over the past decade, state spending has steadily ballooned out of control, leaving the state scrambling to find new revenue. Between fiscal 2005 and 2016, Washington state budgets increased by an average of 4.1 percent per year. Between fiscal 2017 through 2026, the average annual increase was 9.2 percent.<sup>17</sup>

This coincides directly with Washington suddenly becoming a net migration loser after years of being a major winner. In 2017 Washington gained a net of 58,592 new residents, as well as \$2.83 billion in net adjusted gross income. By 2022, the last year of available IRS data and the year after the state Legislature passed into law the new CGT, Washington had flipped to a net loss of 18,798 residents and \$180 million in net AGI.<sup>18</sup> Washingtonian émigrés' top destinations were Arizona, Florida, and Texas, all states known for low taxes.

A new income tax would only exacerbate the trends brought on by these unforced policy errors. Much of the millionaire income targeted by this new tax is passthrough income earned by the

<sup>12</sup>Wilford, "Interstate Migration in Minutes: How Fast Are Taxpayers Leaving or Entering Each State?" National Taxpayers Union Foundation (Nov. 24, 2025).

<sup>13</sup>*Quinn v. State of Washington*, 526 P.3d 1 (Wash. 2023).

<sup>14</sup>Wash. Const. Art. VII, section 1.

<sup>15</sup>*Culliton v. Chase*, 25 P.2d 81 (Wash. 1933).

<sup>16</sup>Washington State secretary of state, "Income Tax Ballot Measures."

<sup>17</sup>Washington State Economic and Revenue Forecast Council, "Revenue Review" (Feb. 16, 2026).

<sup>18</sup>Wilford, "Washington's Millionaire Tax Is a Gift to Texas and Arizona," National Taxpayers Union Foundation (Mar. 10, 2026).

state’s small and medium-size businesses, but a recent survey by the Association of Washington Business found that 44 percent of its membership would seek to relocate their personal residences to another state in advance of the millionaire’s tax going into effect, while 17 percent said that they would be trying to relocate their businesses as well.<sup>19</sup>

Choking out Washington communities by driving economic engines out of the state to pay for chronic overspending is a recipe for disaster. Not only are high-income individuals and business owners already paying substantial tax in other areas of the tax code, they are employers as well. If state legislators refuse to address the spending side of the problem, those left in Washington can only expect further extractions.

**Conclusion**

As states take increasingly divergent approaches to tax policy, the differences between high-tax states and low-tax states have become ever starker. As taxpayers become increasingly mobile and responsive to tax changes, states should be trying to stand out as a Missouri — not as a Washington. ■

<sup>19</sup> Association of Washington Business, “Survey Shows More WA Businesses Looking to Leave” (Feb. 5, 2026).

**taxnotes**<sup>®</sup>

Education | Debate | Fairness | Transparency



**We’re on a mission.**

Creating a marketplace of ideas and an atmosphere that fosters public debate, where exchanges are open, all sides of the aisle are represented, and all ideas are welcome.

We publish world-class news and analysis, host and provide speakers for conferences on topics that matter, provide material for free on our site, and pursue the release of important public information through the Freedom of Information Act.

Find out more at  
[taxnotes.com/free-resources](https://taxnotes.com/free-resources).

© 2026 Tax Analysis. All rights reserved. Tax Analysis does not claim copyright in any public domain or third party content.