

THE  
**PEW**  
CHARITABLE TRUSTS

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# What is the fiscal cliff?

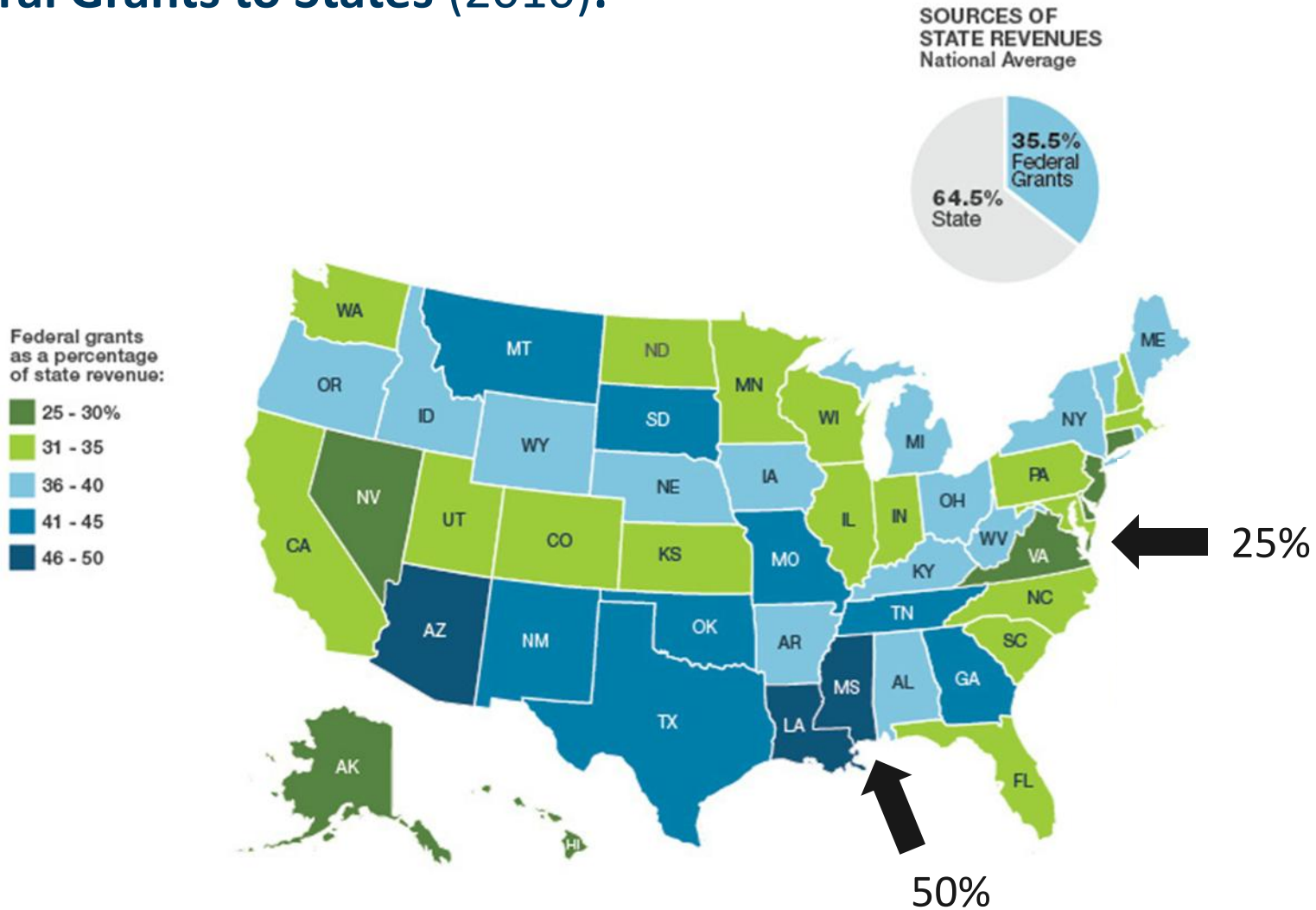
## *Scheduled revenue increases*

- Expiration of 2001, 2003, and 2009 tax cuts
- Expiration of payroll tax cut
- Other expiring tax provisions
- Taxes included in the Affordable Care Act

## *Scheduled spending cuts*

- Sequestration
- Expiration of federal unemployment insurance benefits
- Expiration of Medicare “doc fix”

# Federal Grants to States (2010):



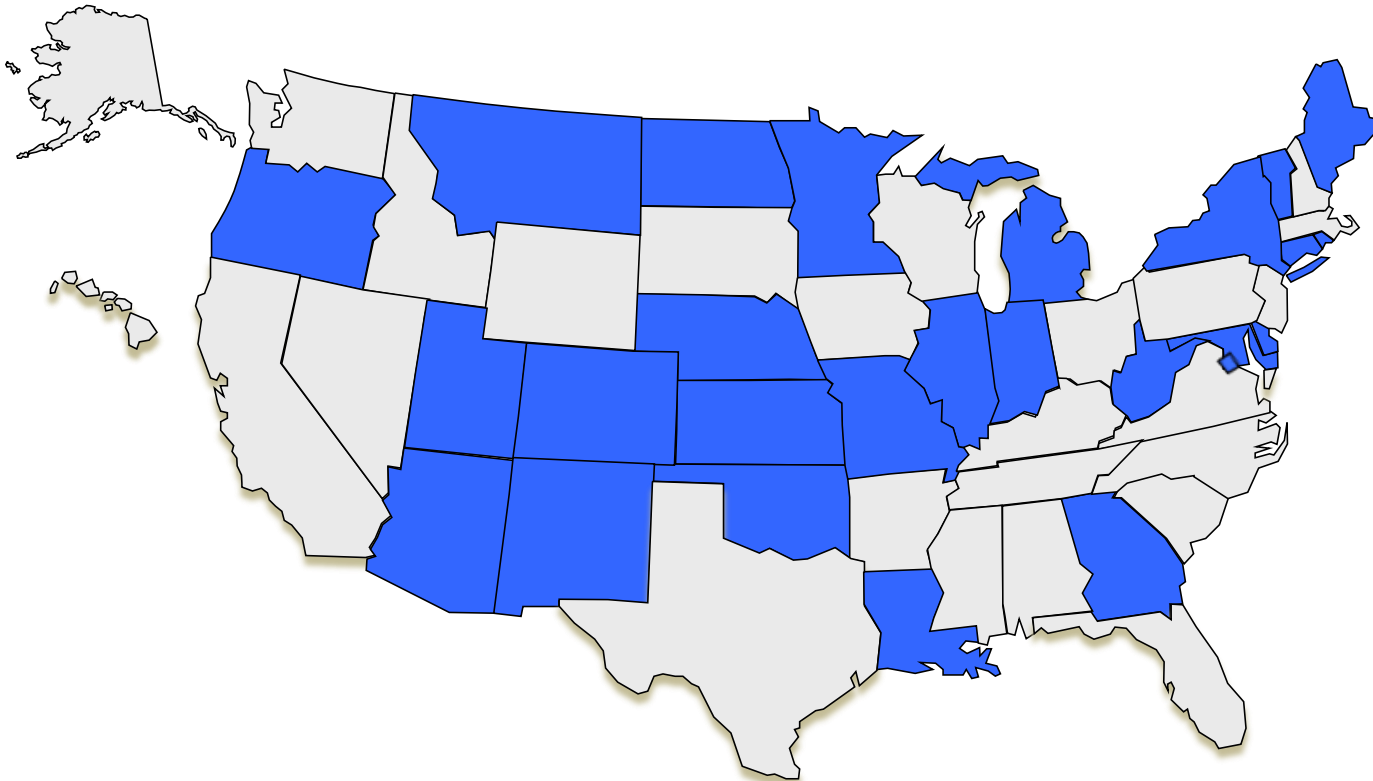
# Uncertainty Looms!

# Scheduled Tax Changes

- **Personal deductions**
- **Credits**
- **Business expense deductions**
- **Estate tax provisions**

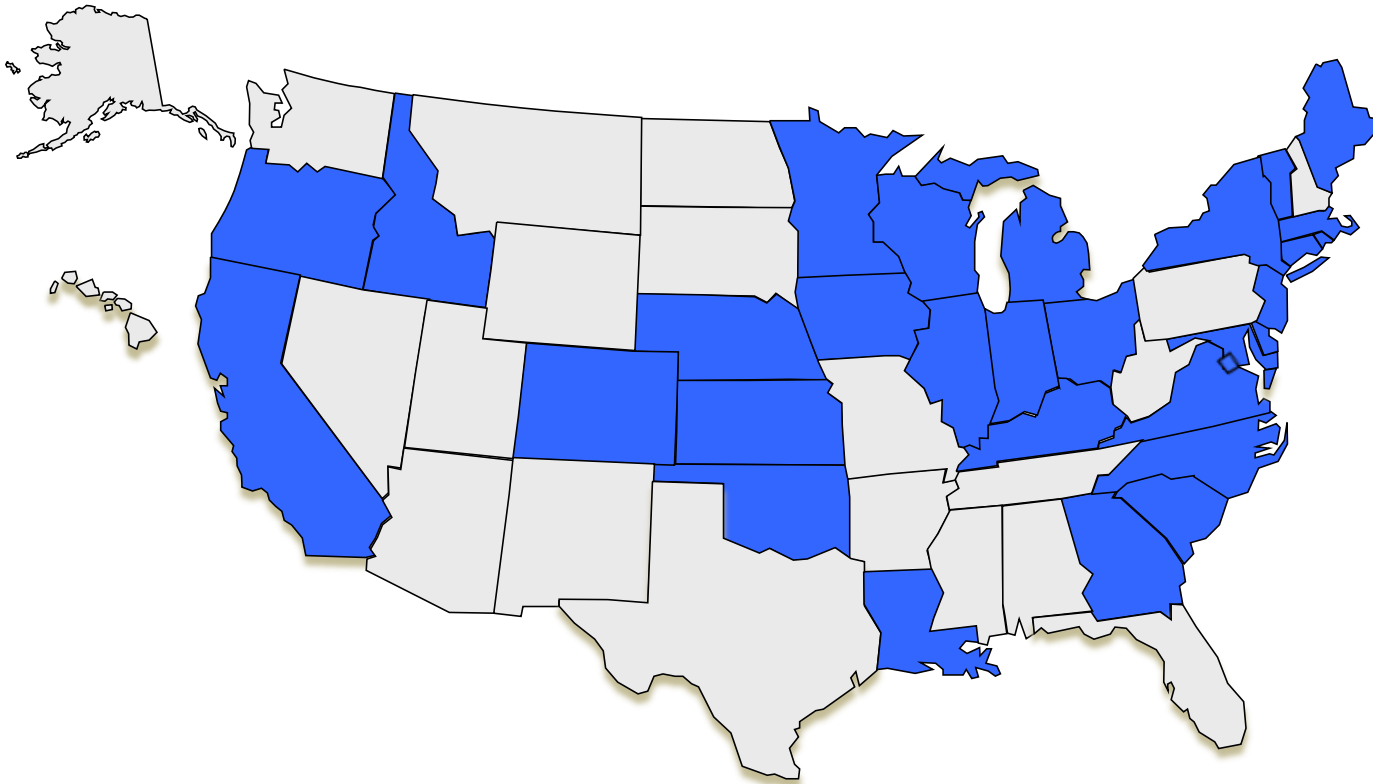
## The Scheduled Tax Changes: Federal Personal Deductions

At least **25 states and DC**: revenues increase because of a link to *federal personal deductions* that would be reduced



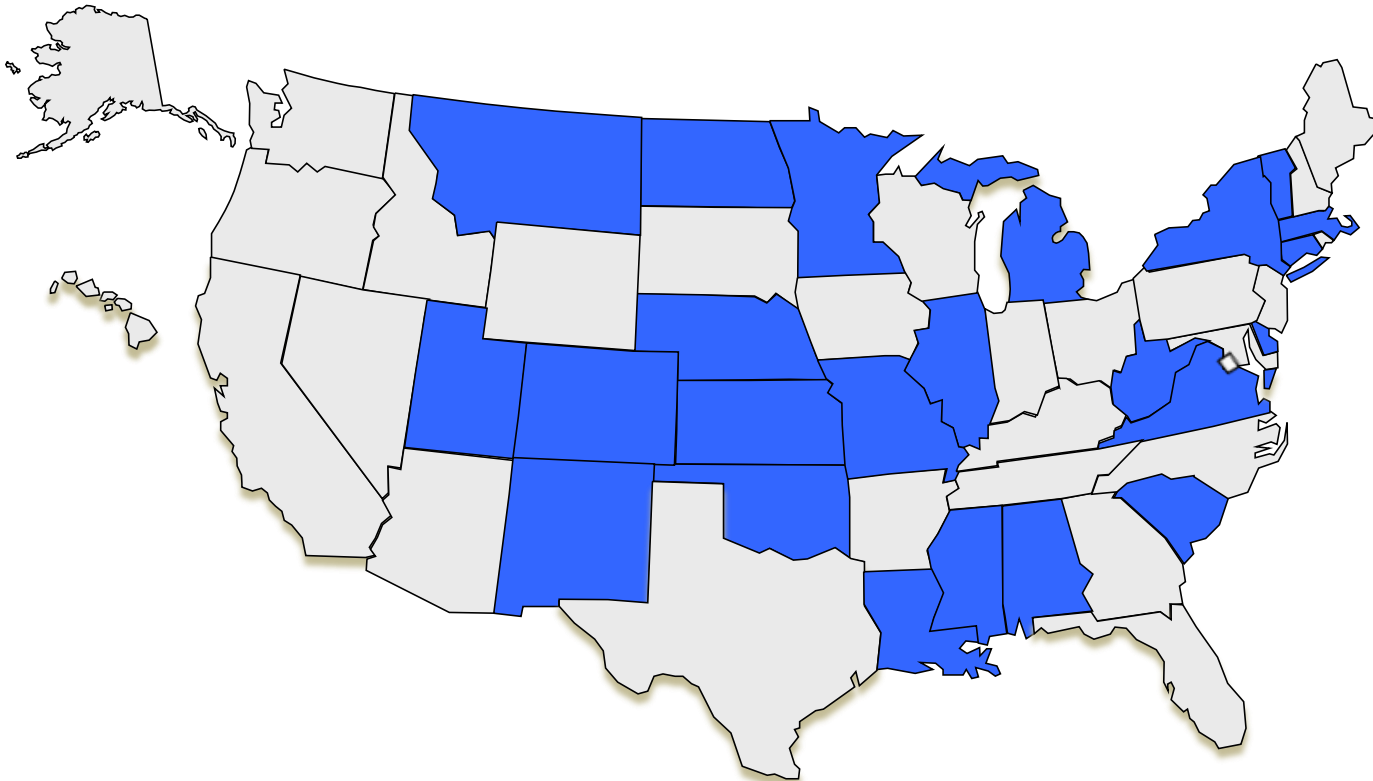
## The Scheduled Tax Changes: Federal Tax Credits

At least **30 states and DC**: revenues increase because of a link to *federal tax credits* that would be reduced



## The Scheduled Tax Changes: Federal Business Deductions

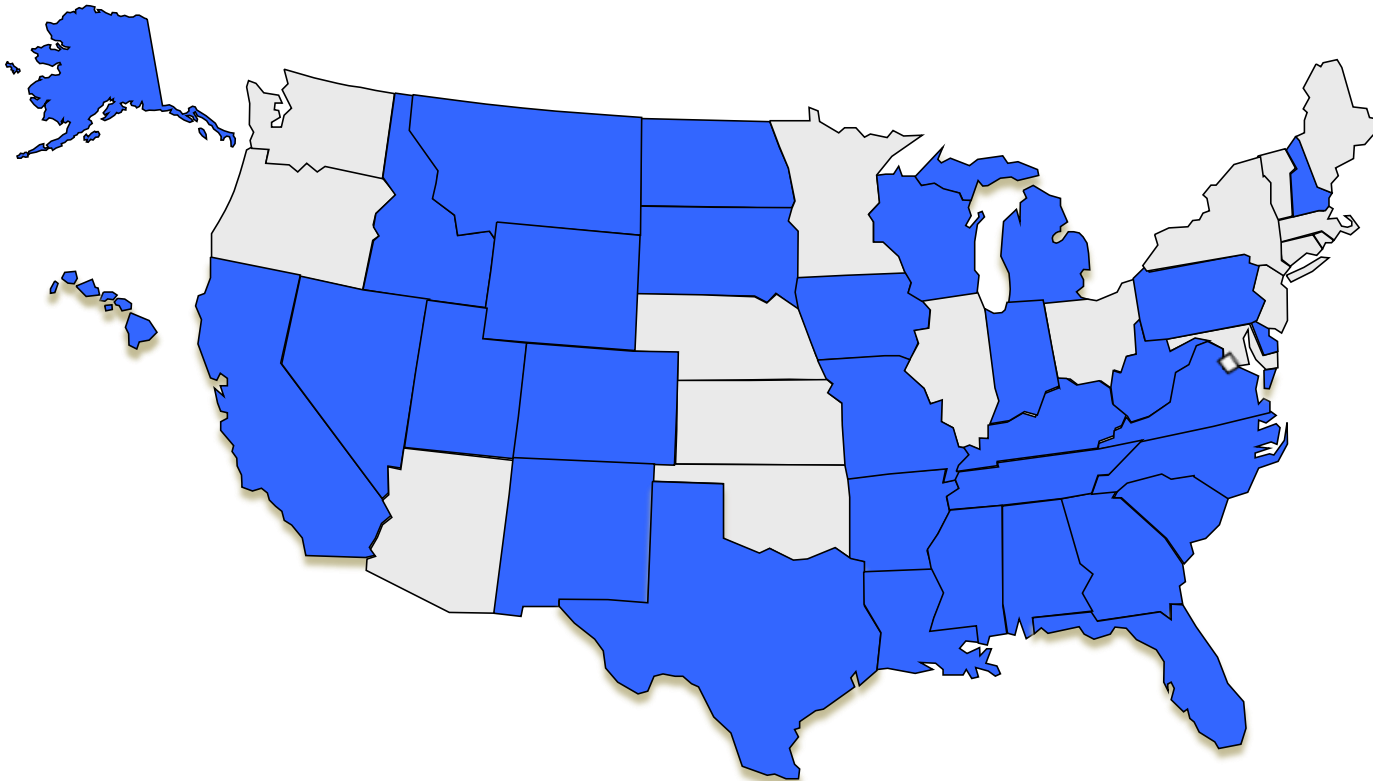
At least **23 states**: revenues increase because of a link to *expiring business deductions*





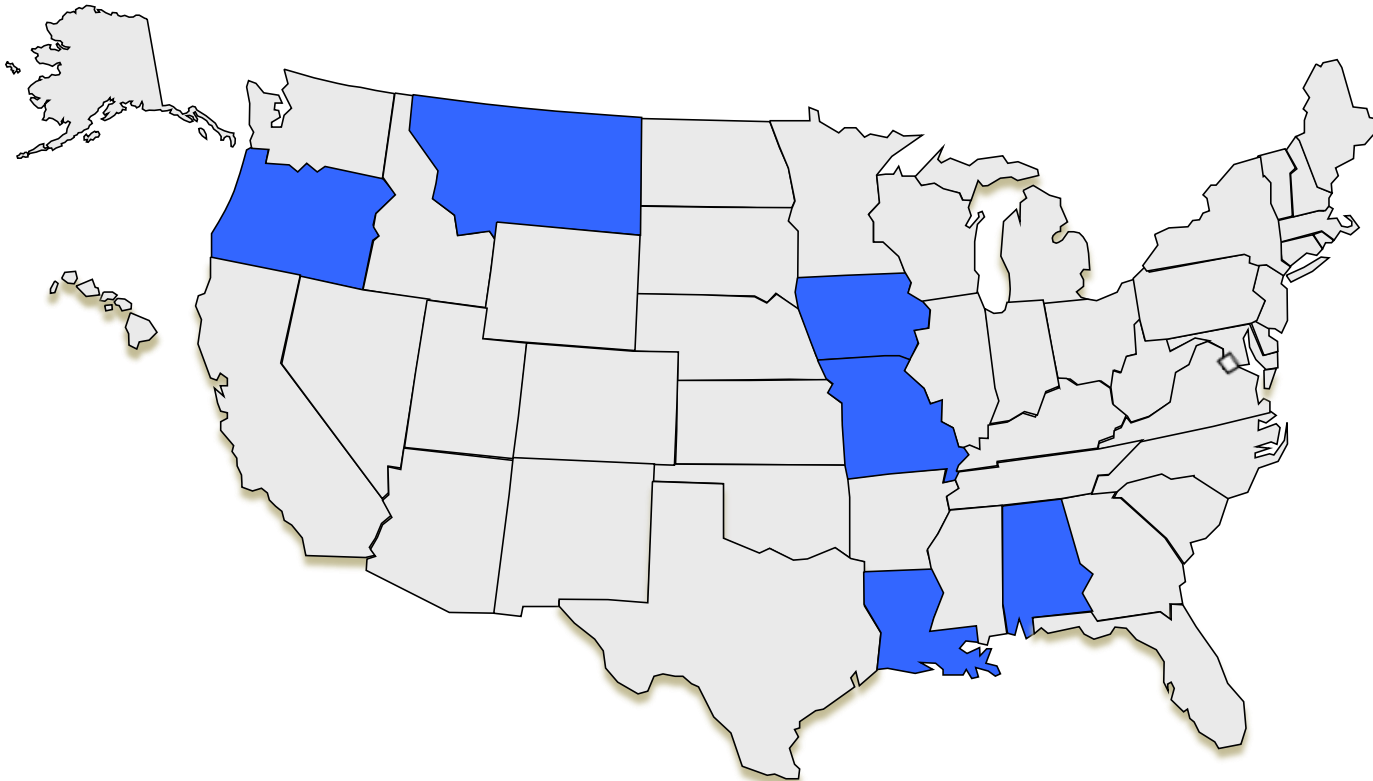
## The Scheduled Tax Changes: Federal Estate Tax Provisions

**33 states:** revenues increase because of a link to changing *estate tax provisions*



## The Scheduled Tax Changes: Overall Federal Income Tax Increase

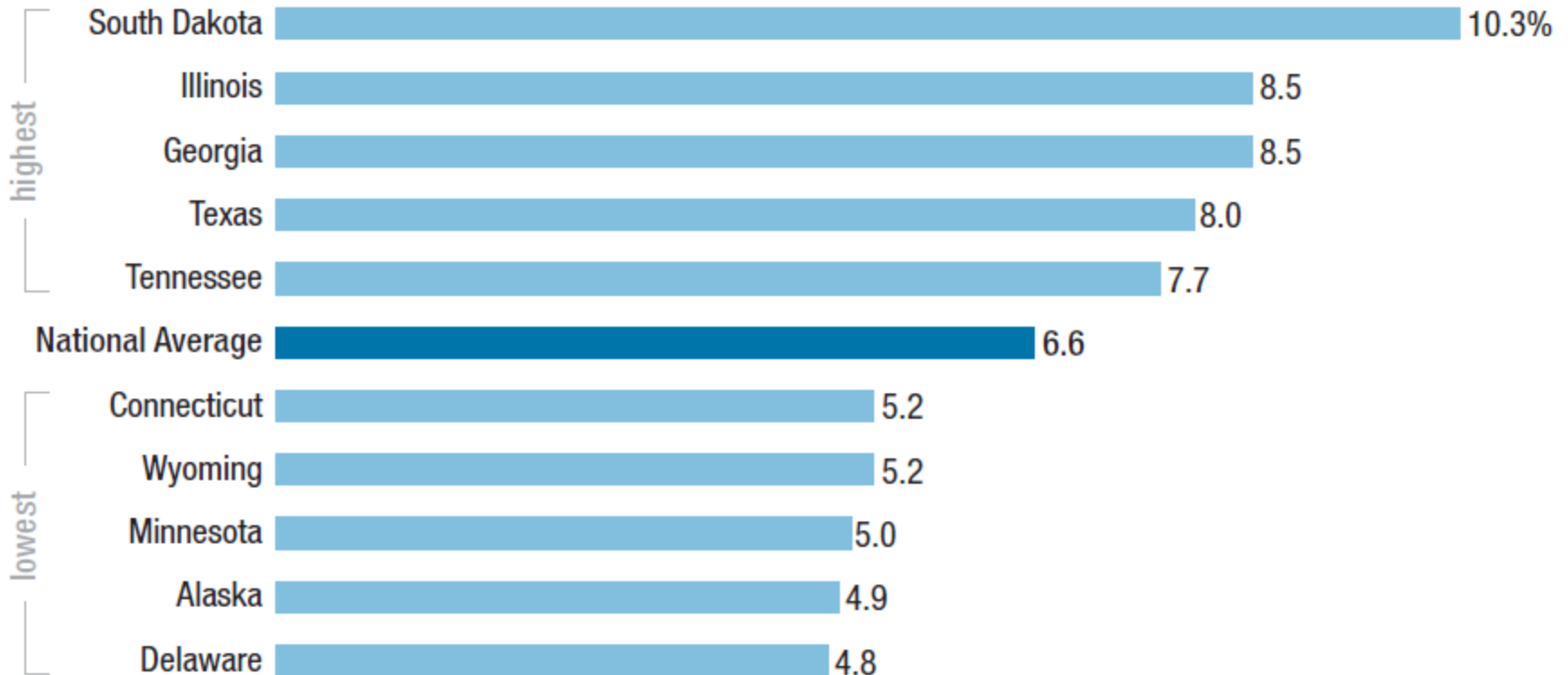
**6 states:** revenues decrease from a *state deduction for federal income taxes*



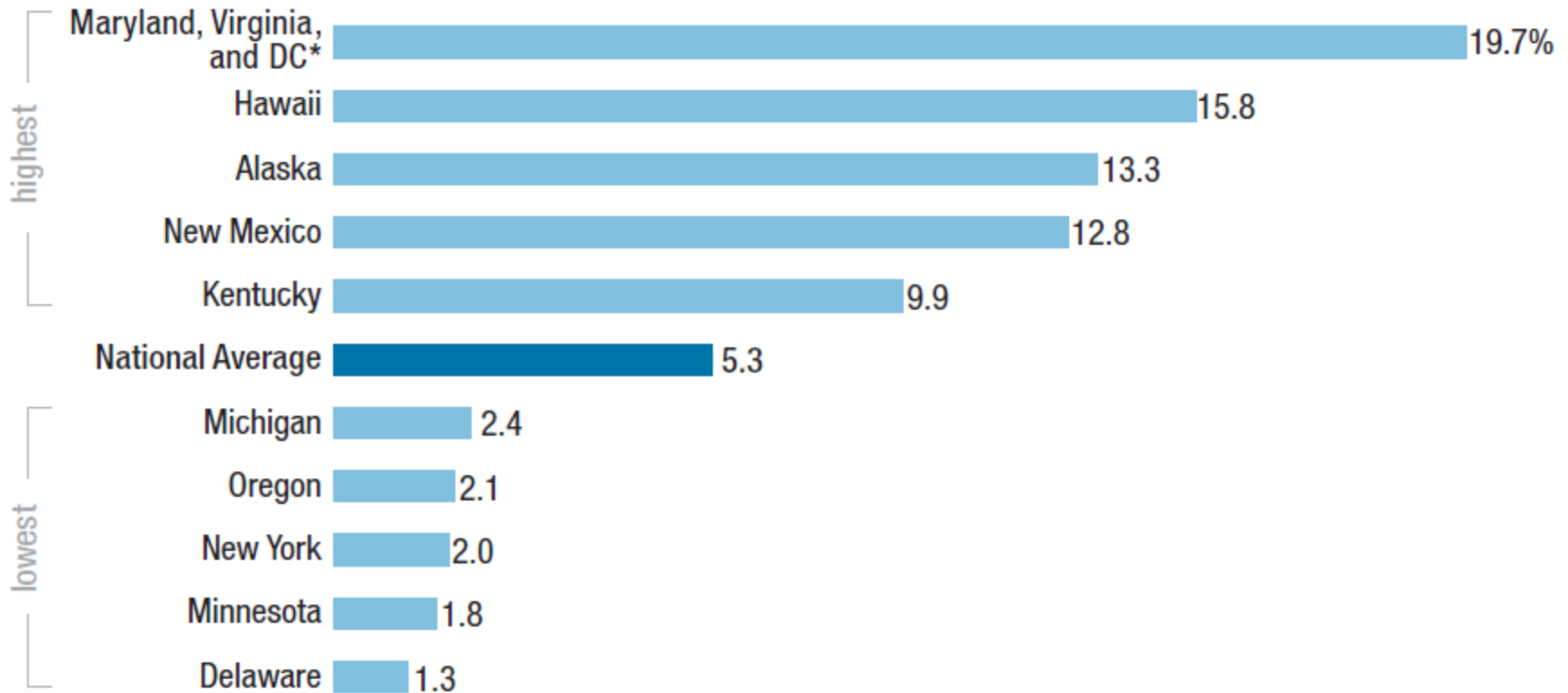
# Scheduled Spending Changes

- **Grants for Programs**
- **Procurement, Salaries, and Wages**

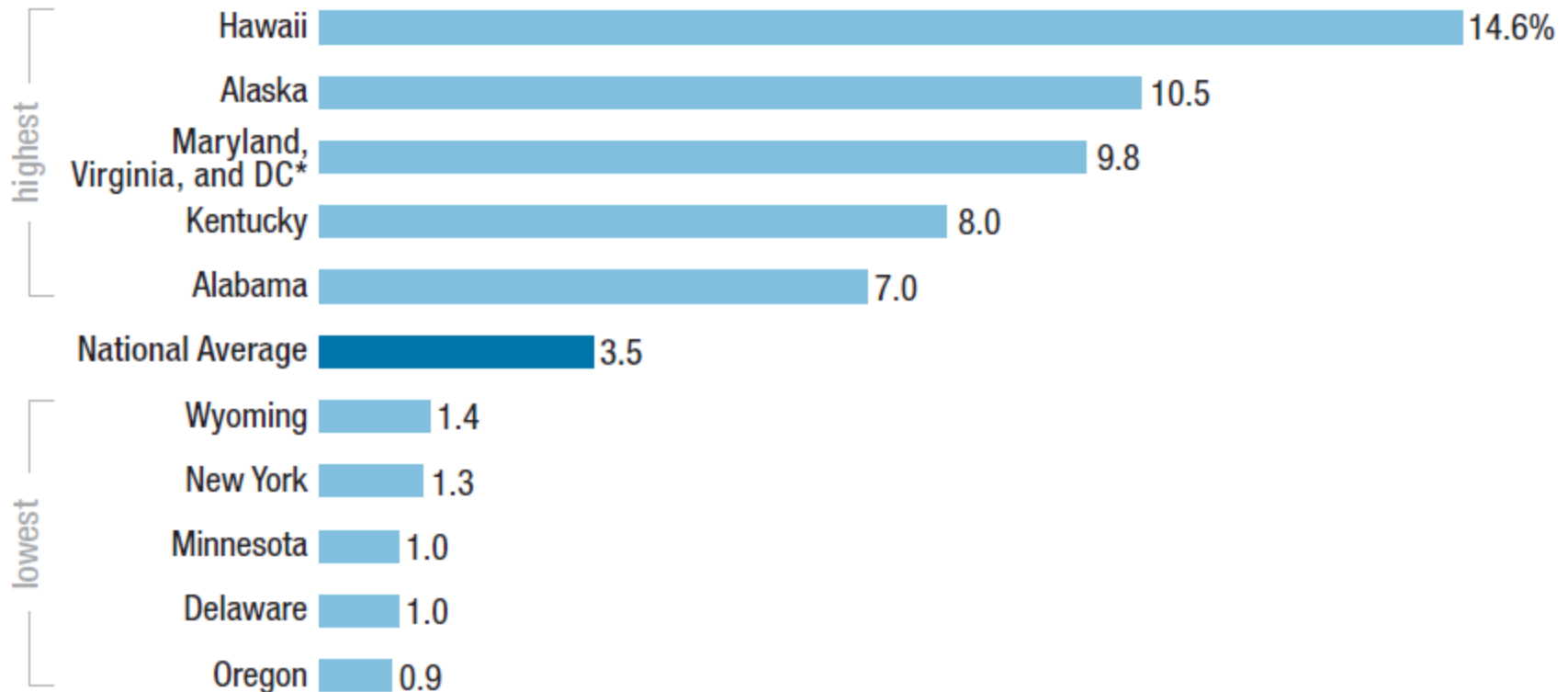
# Federal Grants Subject to Sequester as a Percentage of State Revenue, 2010



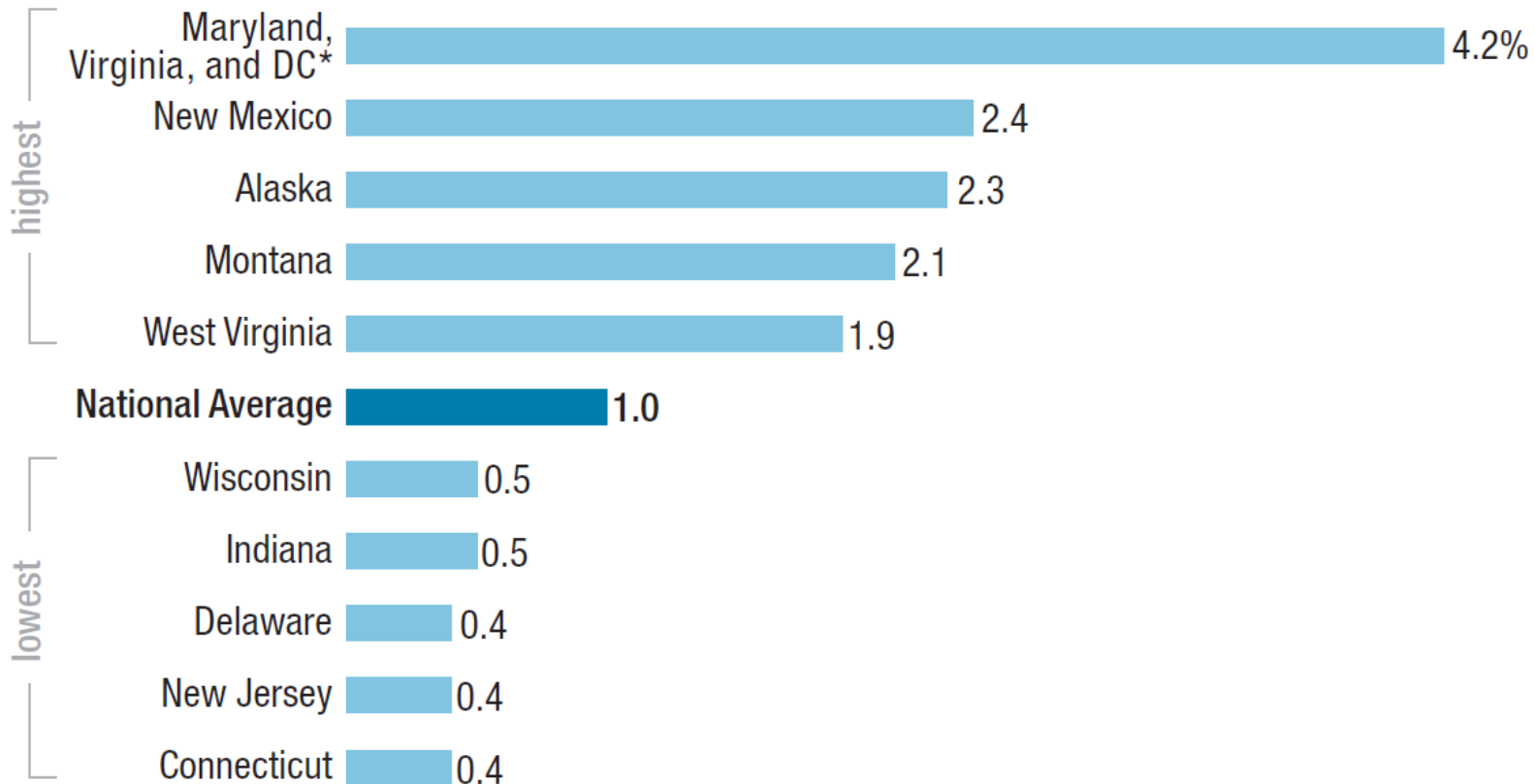
# Total Federal Spending on Procurement, Salaries, and Wages as a Percentage of State GDP, 2010



# Federal Defense Spending on Procurement, Salaries, and Wages as a Percentage of State GDP, 2010



# Federal Nondefense Workforce as a Percentage of Total Employed in State, 2012



## 50 State Profiles: Missouri

### State link to federal policy

### Revenue Change

#### *-Personal Income Tax-*

Allows deduction for federal income taxes



Linked to certain personal deductions



Linked to certain credits

N/A

#### *-Corporate Income Tax-*

Linked to certain business deductions



#### *-Estate Tax-*

Linked to certain estate tax provisions





## 50 State Profiles: Missouri

<u>Vulnerabilities to Federal Spending Subject to Sequester</u>	<u>MO</u>	<u>U.S. Avg.</u>
Grants (% of state revenue, 2010)	7.2%	6.6%
Total Procurement, Salaries, and Wages (% of state GDP, 2010)	7.6%	5.3%
Defense	5.9%	3.5%
Nondefense	1.7%	1.8%
Federal Nondefense Workforce (% of total employed in state, 2012)	1.2%	1.0%



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