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POLICY SPOTLIGHT

Prosperity amid Population Growth in Missouri

Tax, housing, and labor reforms to support a stronger economy

JACK SALMON | JULY 2026

Americans made nearly 34 million interstate moves between 2018 and 2023, redistributing population, income, and economic activity among states. Missouri ranked 21st in net interstate migration, gaining over 38,000 residents but losing $1.6 billion in income—suggesting it attracts lower-income movers while losing higher-earning residents.[1] Research shows that taxes, economic freedom, and housing supply are key drivers of migration. Missouri's competitive tax position and low occupational licensing burden are real strengths, but a high combined sales tax burden, a low housing permitting rate, and no right-to-work protections are areas that require reform.

Tax Policy Reforms

The competitive landscape

Missouri ranks 12th on the Tax Foundation's State Tax Competitiveness Index. If voters approve Amendment 5 on the August 2026 ballot, the state will be on its way to eliminating the individual income tax entirely, which would allow residents to keep more of their money to invest and spend. Two structural weaknesses temper this otherwise competitive picture. First, Missouri permits local income taxes in Kansas City and St. Louis, which increase the burden on workers in those localities. Second, the combined state and average local sales tax rate is high, and a constitutional restriction makes it hard to broaden the sales tax base.

Tennessee	No individual income tax. No local income taxes. Ranks 4th on State Tax Competitiveness Index.
Kansas	Top individual income tax rate of 5.58%; top corporate rate of 7%. 2025 legislation establishes revenue triggers to reduce both rates toward 4%. Ranks 23rd on State Tax Competitiveness Index.
Missouri	Top individual income tax rate of 4.7% (projected to fall to 4.5% by 2029). Flat corporate rate of 4%. Local income taxes. High combined sales tax. Ranks 12th on State Tax Competitiveness Index.

[1] See Jack Salmon, "Interstate Migration Trends in the United States, 2018–2023: Where Are Americans Moving, and Why?" (Mercatus Policy Brief, Mercatus Center at George Mason University, July 2026). For the full analysis including sources, scan the QR code on the next page.

Recommended reforms

- **Support income tax elimination if voters approve Amendment 5:** If not, the legislature should continue pressing the revenue-trigger mechanism to drive the rate as low and as quickly as possible.
- **Cap local income tax rates and broaden the sales tax base.**

Housing Policy Reforms

The supply gap

Missouri issues approximately 2.7 housing permits per 1,000 residents annually—less than half the rate of neighboring Tennessee at 6.6. Constrained supply raises housing costs, reduces affordability for incoming residents and workers, and diminishes Missouri's attractiveness relative to peer states. The barriers are not primarily financial but regulatory. Slow permitting processes impose costs on developers that further raise the costs of the final housing products.

Recommended reforms

- **Permit housing in commercial zones:** Allowing homes near jobs and services by right would expand supply, reduce commuting costs, and support local businesses through a larger nearby customer base.
- **Reduce minimum lot size requirements statewide:** The state should follow St. Louis, which has recently reduced its own minimum lot size requirements, making smaller starter homes more feasible.
- **Allow HUD Code manufactured homes:** These are an important source of unsubsidized affordable housing, and local governments should permit them wherever site-built single-family homes are permitted.

Labor Market Freedoms

Occupational licensing and right to work

Missouri ranks among the best states in the Archbridge Institute's state occupational licensing index; only 33 of 102 lower-income occupations require a license. The state also has universal license recognition without "substantially similar" or residency restrictions, so workers relocating from other states can obtain a Missouri license without repeating education or experience requirements. Missouri is not a right-to-work state, however. This means workers in unionized workplaces can be required to join a union or pay dues as a condition of employment.

Portable benefits for independent workers

As of 2023, over 485,000 Missouri residents worked independently, yet many lack access to benefits because companies risk legal liability when providing benefits to nonemployees. Importantly, survey evidence shows that in the United States 80.3% of self-employed workers want to remain independent while 80.1% want access to portable benefits.

Recommended reforms

- **Enact right-to-work protections:** These provisions would protect worker choice and improve Missouri's attractiveness for business investment and job creation.
- **Enact portable benefits legislation:** This would allow workers to access benefits without compromising worker flexibility or exposing companies to legal risk.

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