

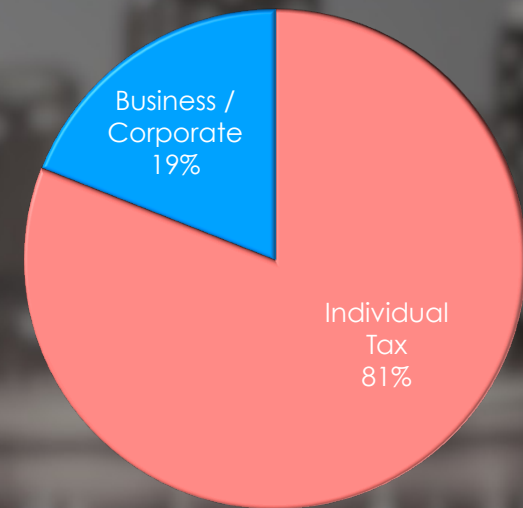


City of St. Louis, Earnings Tax

Ensuring the continuation of city services

What is the City Earnings Tax?

- ◆ Individual tax of 1% on earnings of residents and 1% tax on earnings for non-residents for work done or services performed in the City
 - ◆ Makes up more than 80% of total tax receipts
- ◆ Corporate tax of 1% of net business profits from City businesses or business conducted in the City



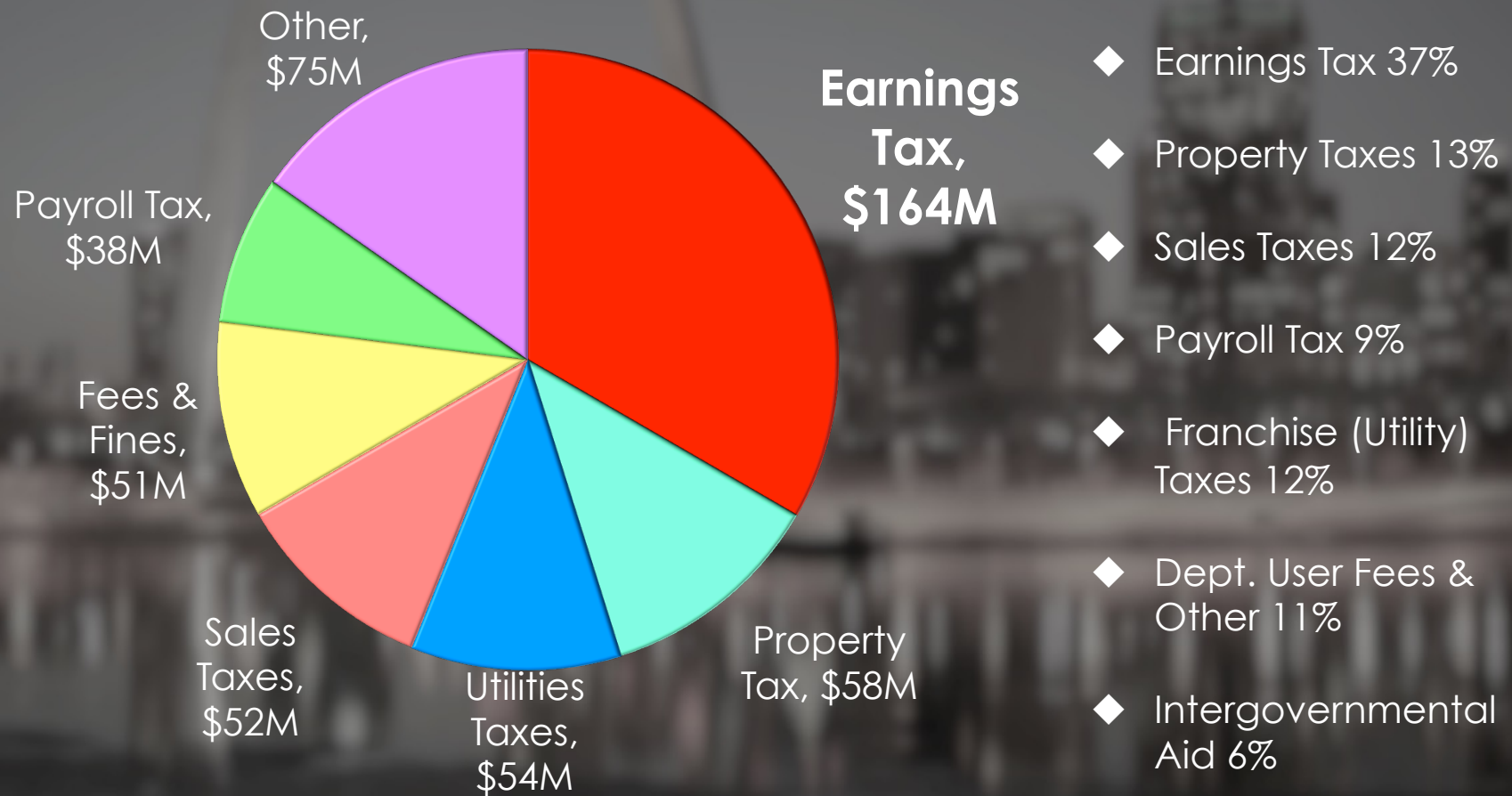
A bit of History

- ◆ Our current rate was **established in 1959**.
- ◆ In 2010, Missouri voters passed a state law requiring the cities of St. Louis and Kansas City to seek voter approval for the Earnings Tax every 5 years.
 - ◆ 95% of registered voters in MO don't live in the City of St. Louis, but were able to vote on how we tax ourselves.
- ◆ The first retention vote in 2011 passed with **88% approval**.
- ◆ The second retention vote is **April 5, 2016**.

City of St. Louis Revenue Structure

- ◆ Typical of most large municipalities, city revenues are comprised of a **mix of taxes, licenses and fees**.
- ◆ A **diverse base** is important to ensure that revenue grows with the economy at a rate sufficient to maintain services.
- ◆ Desirable characteristics include:
 - ◆ **Equity and fairness** (e.g. not imposed most heavily on those least able to pay)
 - ◆ Distributes tax burden among those that benefit from services
 - ◆ Ease of enforcement and collection

STL City Revenue Structure (FY15)



We are not alone

- ◆ Many **major cities** impose an earnings tax, including:
 - ◆ Kansas City
 - ◆ Philadelphia
 - ◆ New York
 - ◆ Louisville
 - ◆ Cincinnati
 - ◆ Cleveland
- ◆ Most city earnings tax are between 1-4% and STL City 1% represents the **low end** of that spectrum.

The Magnitude is HUGE

- ◆ The earnings tax is the **largest source** of general revenue: \$164M
- ◆ More than the **entire budget for the St. Louis Police Dept**: \$152M
- ◆ More than the **combined total** (\$161.1M) for the following:
 - ◆ Fire Department \$63.8M
 - ◆ Corrections and Juvenile Detention \$56.3M
 - ◆ Forestry Div. Trimming / Weeds and Debris \$7.1M
 - ◆ Park Maintenance \$7.6M
 - ◆ Street Maintenance & Repair \$6.0M
 - ◆ Street & Alley Lighting \$5.8M
 - ◆ Equipment service vehicle maintenance / repair \$15M

Replacement Tax

- ◆ The most obvious replacement tax would be to raise property tax and / or sales tax
 - ◆ Replacing the earnings tax would result in very significant increases; greater than our current state constitution allows
 - ◆ Sales tax has an historically weak growth rate, which could jeopardize future city income

Property Tax as Replacement?

Homeowner #1



Homeowner #2



Business



Appraised Real Value

\$100,000

\$200,000

\$800,000

Appraised Personal
Property Value(s)

\$15,000

\$35,000

\$120,000

Current Tax Burden
(2015)

\$1,822

\$3,770

\$22,466

New Total With Tax
Increase

\$2,851

\$5,901

\$35,167

**Additional Property
Taxes**

\$1,029

\$2,131

\$12,701

Tax % Increase

56.5%

56.5%

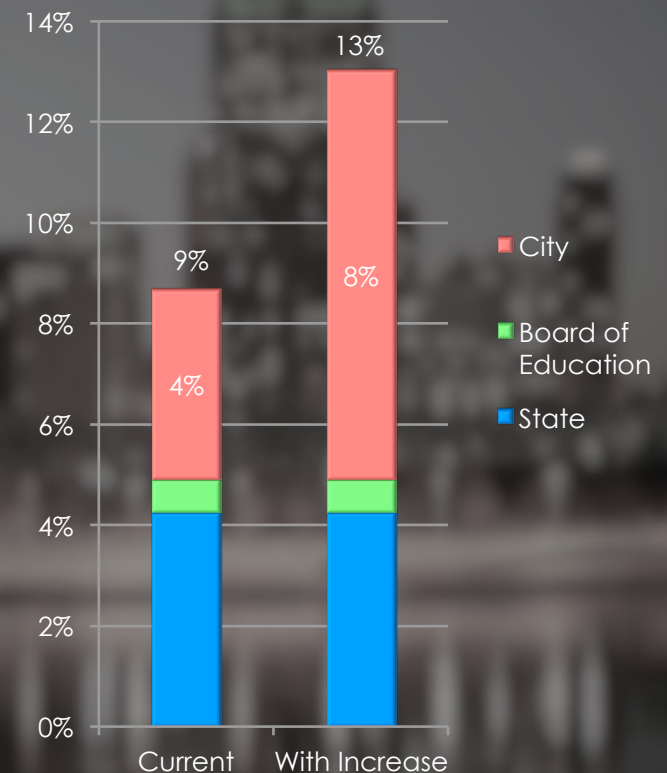
56.5%

Sales Tax as Replacement?

Current Sales Tax Rate In City

State	4.23%
Board Of Education	0.67%
Local Taxes	3.79%
Total Current Rate	8.68%

Est. Earnings Tax Receipts	\$164,295,000
Est. Receipts - 1 Cent Sales Tax	\$38,000,000
Sales Tax Equiv. - Earnings Tax	4.32%
New Rate With Tax Increase	13.00%



Retaining the Earnings Tax is **Critical**

- ◆ The earnings tax is the **largest source** of general revenue for St. Louis
- ◆ It is a **FAIR tax**, generating revenue from those who enjoy city services and excusing vulnerable citizens such as retired and unemployed persons
- ◆ Our **choices are limited**: raising sales and property tax would be significant and is restricted by our state constitution
- ◆ It is **imperative to continuing city services. Period.**