

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0243S.01I
Bill No.: SB 344
Subject: Taxation and Revenue - Income; Kansas City; Saint Louis City
Type: Original
Date: March 8, 2023

Bill Summary: This proposal modifies provisions relating to earnings tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	\$0	\$0	Up to \$650,000

FISCAL ANALYSIS

ASSUMPTION

Officials from **City of Kansas City** assume this proposal would have a positive fiscal impact on Kansas City in an indeterminate amount by providing greater financial stability and predictability.

Oversight notes this proposal would allow Kansas City the certainty of knowing that it can maintain its earnings tax for 10 years instead of 5 years after a vote of approval and would save Kansas City money by not having to pay for an election every 5 years.

Officials from the **City of Kansas City Board of Elections** state a cost of \$650,000 to conduct an election in the Kansas City portion of Jackson County. Currently this question is put on a ballot every five years. If this question is moved to every ten years, it could potentially save \$650,000, plus inflation, every ten years.

Oversight notes according to the Communications Office for the City of Kansas City, approximately \$292.2 million is generated by the earnings tax for the City of Kansas City each year. This is 45% of the City's General Fund revenue. Of the General Fund, 73% pays for public safety needs, such as police officers, firefighters, ambulance services and Municipal Court operations. Nonresidents make up 50% of the earnings tax paid. The following is an Earnings Tax Rate Comparison by various cities in the United States compared to the State of Missouri:

<u>EARNINGS TAX RATE COMPARISON</u>			
<u>City</u>	<u>Earnings Tax Rate</u>	<u>City</u>	<u>Earnings Tax Rate</u>
Philadelphia, PA*	3.8712/3.5019%	Portland, OR	2.20%
Pittsburg, PA*	3.00/1.00%	Cleveland, OH	2.00%
Detroit, MI*	2.4/1.2%	Indianapolis, IN*	1.77/.4425%
Lexington, KY	2.25%	St. Louis, MO	1.00%
Louisville, KY*	2.20/1.45%	Kansas City, MO	1.00%

*Cities with different rates for residents and non-residents.

Oversight notes voters renewed the tax in 2011 by 78%, in 2016 by 77% and in 2021 by 77%. This proposal, if passed, would make the next election for the renewal of the earnings tax for Kansas City for April 2031 instead of April 2026 (FY 2026). Therefore, if this proposal does pass, Oversight will reflect a savings to Kansas City in FY 2026 for this proposal for not holding this election.

Officials from the **Office of the Secretary of State**, the **Office of Administration - Budget and Planning**, the **Department of Labor and Industrial Relations** and the **Department of Revenue** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
CITY OF KANSAS CITY			
<u>Savings</u> – election costs for earnings tax ballot approval – switched from every 5 years to every 10 years	<u>\$0</u>	<u>\$0</u>	<u>Up to \$650,000</u>
ESTIMATED NET EFFECT ON THE CITY OF KANSAS CITY FUNDS	<u>\$0</u>	<u>\$0</u>	<u>Up to \$650,000</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Current law requires the earnings tax imposed in the City of St. Louis and Kansas City to be submitted to the voters for renewal every five years. This act requires such submission to voters in Kansas City to occur every ten years.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

City of Kansas City

City of Kansas City Board of Elections

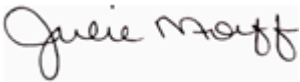
Office of the Secretary of State

Office of Administration

Budget and Planning

Department of Labor and Industrial Relations

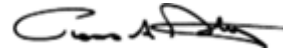
Department of Revenue



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March 8, 2023



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