City of Kansas City Missouri
Earnings Tax: Who Pays?

2011 Local Employment Dynamics Partnership Annual Workshop
March 9 and 10, 2011

Jerry Lonergan
The Civic Council of Greater Kansas City
Civic Council of Greater Kansas City

- Organization founded in 1964 by business leaders concerned about a “directionless” Kansas City
- Privately funded and CEO led
  - 80 members largest companies in the region
- Criteria for engagement
  - Long-Term, Complex,
  - Others Cannot or Will Not Tackle
  - Requires Data-Driven Decisions, Sustained Attention/Funding, High Level Collaboration
Civic Council Issues

• Study of Economic Opportunity in Metropolitan Area to Address Poverty
• Life Sciences Initiatives – since 2001
• Creating a Multi-MSA Collaborative in the Great Plains – a virtual mega region
• Higher Education Preserve Funding Focus with Two State Legislatures
Kansas City Metropolitan Statistical Area
Kansas City and the MSA

• 2010 Census KCMO total population 459,000 a 4.1% gain, MSA grew by 11.4% just over 2 million
• Job growth lagging peers
• Most gains in Kansas or outlying Missouri counties

Median Family Income and Share Over 25 Years Pop. with College Degrees
50 Largest Metropolitan Areas (Kansas City = Red Diamond)

Source: Census Bureau – American Community Survey 2009
KCMO Earnings Tax

• In Kansas City, a one-percent E-Tax is levied on
  – gross compensation for employed KCMO residents
    (whether or not the job is in the city limits) and non-
    KCMO residents working within the city limits
  – the net profits of a business located within the city
    limits.

• The E-Tax has been a “stable” revenue source Fiscal Year 2011 projections expect $202.6
  million.

• That total represents almost 40% of KCMO general revenues
Who is Behind Effort to Rid Missouri of Earnings Tax

“One of the worlds financial gurus”

• Retired from Dimensional Fund Advisers which he co-founded in 1981 ($100 billion in assets)
• Returning to Missouri founded Show-Me Institute (free market think tank)
• Funding private school voucher campaigns, anti-minimum wage efforts, and wholesale tax restructuring

Rex Sinquefield
Better Ways to Spend a Fortune?

• ... $10.7 million Sinquefield has dropped into the campaign to pass Proposition A” [Columbiamissourian.com]

• “No one is talking about getting rid of the revenue,” Mr. Sinquefield told us [Stltoday.com] in February. ... It has to be replaced. We posed that question to Mr. Sinquefield in February. He offered no specifics — and none appear on the campaign website.
Earnings Tax Vote April 5th

• Campaign underway – Civic leaders raise over $1 million

• Strategies to convince KCMO voters to retain the E-Tax – beyond the “scare” of lost services or increased taxes and fees:

> How many non-Kansas City residents pay the E-Tax?
LED Answered the Question

- The United States Census Bureau provides mapping capabilities that show where those employed in KCMO reside.
- Based on these data, in 2008 just over 37% of the jobs in KCMO were held by residents of the city.
- KCMO residents who work outside the city also pay the E-Tax; in 2008, KCMO residents held 212,994 of that total 105,065 were jobs held outside of KCMO.
LED Answer, cont.

- **46% of the Withholding and Wage Earner portion of the 2008 KCMO E-Tax is paid for by jobs held by non-KCMO residents. Of the total jobs that pay the KCMO E-Tax, **15%** are jobs held by residents outside of Missouri.**

- Trends from 2002 clearly show this percentage is increasing and that higher paying jobs are going to non-KCMO residents
KCMO and KCMSA w/o KCMO
Share of Jobs and Job Growth

- KCMO: 29.3%
- KCMSA w/o KCMO: 3.6%

2008 Total Jobs and 2002-08 Job Growth

March 9 and 10
2011 LED Workshop
LED Assist with Debates

Non-Earnings Tax Cities of Similar Size to KCMO
Job Loss 2008-09

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
<th>Job Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nashville</td>
<td>31,3600</td>
<td>-7.4%</td>
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<tr>
<td>Charlotte</td>
<td>28,450</td>
<td>-6.0%</td>
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<tr>
<td>Atlanta</td>
<td>20,350</td>
<td>-5.2%</td>
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<tr>
<td>Las Vegas</td>
<td>18,945</td>
<td>-9.2%</td>
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<tr>
<td>Orlando</td>
<td>18,534</td>
<td>-6.5%</td>
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<tr>
<td>Albuquerque</td>
<td>15,496</td>
<td>-5.3%</td>
</tr>
<tr>
<td><strong>Kansas City</strong></td>
<td><strong>12,306</strong></td>
<td><strong>-4.3%</strong></td>
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<tr>
<td>Oklahoma City</td>
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</tr>
<tr>
<td>Omaha</td>
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</tr>
</tbody>
</table>
LED Elevated the Debate

• A clear defendable number
• Discussion focused on issues and outcomes
• Clearly notes tax and benefits are shared with non-KCMO residents

• Still have to remind proponents the data are jobs not people or revenue