

HB 499 -- EARNINGS TAX OPPORTUNITY ZONES

SPONSOR: Christ

COMMITTEE ACTION: Voted "Do Pass" by the Special Committee on Tax Reform by a vote of 6 to 3. Voted "Do Pass" by the Standing Committee on Rules-Legislative by a vote of 7 to 3.

This bill establishes "earnings tax opportunity zones." These opportunity zones, as described in the bill, will correspond to existing federal census tracts described as "distressed communities".

Beginning January 1, 2024, the following types of income will be exempt from the city earnings tax:

- (1) Salaries, wages, commissions, and other compensation earned by any resident of an earnings tax opportunity zone;
- (2) Salaries, wages, commissions, and other compensation earned by any person who earns salaries, wages, commissions, and other compensation for work done or services performed or rendered in an earnings tax opportunity zone;
- (3) Net profits of associations, businesses, or other activities conducted by any person in an earnings tax opportunity zone; and
- (4) Net profits earned by all corporations as the result of work done or services performed or rendered and business or other activities in an earnings tax opportunity zone.

If a distressed community that is found within an opportunity zone imposes a city earnings tax, that distressed community must publish and maintain an updated map of earnings tax opportunity zones on its website and provide a copy of the map upon request.

PROPOSERS: Supporters say that the bill only applies to St. Louis. They also say the businesses end up leaving the city because the imposition of an earnings tax makes it difficult to attract good, talented employees. Further, proponents also state that when a business leaves the city, it is to escape the earning tax. With the changes in this bill, they can effectively give employees a pay raise. Finally, proponents of the bill say St. Louis already has a number of tax structures that bring a good deal of revenue.

Testifying in person for the bill were Representative Christ; Arnie Dienoff.

OPPONENTS: Those who oppose the bill say that this would lead to a substantial loss of revenue for St. Louis. The opponents state the earnings tax brings in an average of \$225 million per year, and that revenue is used to fund police, fire, emergency departments, parks, and sanitation. They state that if these zones are created, it would amount to \$20 million loss each year--roughly 25% of the St. Louis Police budget. Finally, opponents of the bill say the earnings tax plays no role in whether a business stays or leaves St. Louis; rather, most of the time, people and businesses leave due to crime and school quality.

Testifying in person against the bill were Sam Panettiene, City of Kansas City; Sam Panettiene, Northland Regional Chamber of Commerce; Paul W. Payne, City of St Louis.

OTHERS: Others testifying on the bill say the earnings tax is routinely renewed by voters every five years by 70% margins.

Testifying in person on the bill was City of Kansas City, Greater Kansas City Chamber of Commerce, Civic Council of Greater Kansas City .

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.