



EARNINGS TAX

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THE PROBLEM: Like state income taxes, local earnings taxes are harmful to economic growth, steering money from private investment and making cities less competitive compared to their counterparts around the country. In Missouri, two cities have an earnings tax: Kansas City and St. Louis. Earnings taxes don't just affect city growth, either; they harm the regional economies that have St. Louis and Kansas City at their center. They also disproportionately impact the poor, taxing them on dollar one.

THE SOLUTION: *Repeal the earnings tax.*

Opponents have argued that eliminating the earnings tax would simply force equivalent taxes to be imposed elsewhere, but that isn't necessarily the case. Under current law, should Kansas City or St. Louis vote not to renew the earnings tax, the taxes would phase out over ten years, giving ample time for each city to gradually reorient its revenue strategy and reassess its spending priorities. Wasteful spending shouldn't be supported with a new revenue stream—it should be eliminated. The earnings tax phase-out would facilitate that serious discussion.

WHO ELSE DOES IT? With the exception of Kansas City and St. Louis, cities in Missouri do not have earnings taxes of any kind. Likewise, most cities nationally do not have earnings taxes.

THE OPPORTUNITY: Kansas City and St. Louis would be able to compete on a more even playing field for businesses and talent. Moreover, businesses and residents in

the region would have more incentive to move into those cities, and for those already here, there would be more of an incentive to stay.

KEY POINTS

- Earnings taxes take money from the private sector at the very moment it's earned—denying the public the opportunity to invest that money in themselves and their businesses.
- Earnings taxes aren't just a Kansas City and St. Louis issue. Because these cities sit at the center of Missouri's regional economic engines, bad policies there have negative ripple effects in economies elsewhere in the state.
- Earnings taxes are a burden on the poor, who are taxed at the full earnings tax rate on the first dollar they earn.

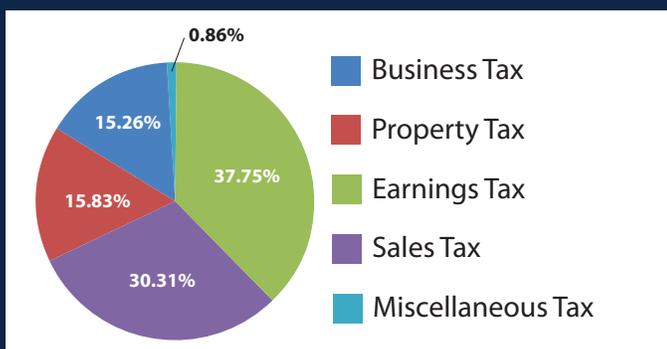
SHOW-ME INSTITUTE RESOURCES

Essay: "Updated Estimates on the Effects of Earnings Taxes on City Growth"

Essay: "A New Tax Policy Vision for Missouri"

Op-Ed: "Missouri Suffers from the Saint Louis and Kansas City Earnings Taxes"

REVENUE BREAKDOWN: SAINT LOUIS



REVENUE BREAKDOWN: KANSAS CITY

