



Why Haven't We Fixed This Law Yet?

Published on *Show-Me Institute* (<https://showmeinstitute.org>)



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Whatever our policy inclinations, we should all agree that government ought to be for the public good, transparent, and accountable. Unfortunately, some of Missouri's community improvement districts fail to satisfy these uncontroversial, common-sense requirements of good government.

CIDs are special districts that levy extra sales, property, and other taxes to fund various, supposedly public, improvements and services. The law governing CIDs makes it possible for landowners—or a single landowner—to form a district and impose sales taxes often without residential voter approval.

Unsurprisingly, CIDs sometimes direct taxpayer funds toward projects aimed at achieving private, rather than public, goals. In Kansas City, the luxurious InterContinental Hotel charges an extra 1% through a CID to help pay for the renovation of its guestrooms. In Saint Louis, the Cardinals established a CID to help fund construction of the second phase of Ballpark Village, and in Chesterfield the stores of St. Louis Premium Outlets charge extra taxes to cover help cover the cost of their development. What business would turn down an additional 1% profit?

And the pennies add up. According to reports filed with the State Auditor's office, CIDs across the state have collected more than \$146 million since 2014. As Missouri's CID law has been on the books since 1998, CIDs' toll on the public may be in the billions.

And as bad as that sounds, it significantly understates the impact CIDs have on Missouri's tax burden. Because of poor reporting on CIDs, reports for many years are missing or filed months or even years late (if at all). In fact, the original plans for CIDs are seldom posted publicly online, so their cumulative impact on taxpayers is hard to pin down. The transparency issues are obvious. Funding improvements with a CID can be much like using a company credit card and never submitting your receipts.

The source of the problem with CIDs is a lack of accountability, particularly in districts with no residents. In these districts, developers can impose a tax without allowing consumers any say in the matter. When a CID's only constituents are the developers it's benefiting, there is no independent check on revenues and expenditures. Throw in a lack of state oversight and CIDs become a too-good-to-be-true opportunity for politically savvy developers and business owners. It's no wonder the number of CIDs across the state has exploded from one in 2000 to 275 in 2016. During this period, 99 CIDs were established in Saint Louis City and County alone, most of which are still operating.

So what can we do? Apart from eliminating CIDs altogether, the first step is to tighten CID reporting standards so data on revenue and spending are easily accessible to the public. The State Auditor or Department of Revenue could compile and publish the information annually. The second is to prohibit landowners from imposing sales taxes on an unsuspecting public. The current law authorizes private interests to tax the public with little or no accountability.

Common-sense reforms like these could help stop the needless abuse of taxpayers that Missouri law currently authorizes.

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