

ADOPTED NOVEMBER 2, 2010

PROPOSED BY INITIATIVE PETITION

PROPOSITION A. — (Proposed by Initiative Petition) Shall Missouri law be amended to:

- repeal the authority of certain cities to use earnings taxes to fund their budgets;
- require voters in cities that currently have an earnings tax to approve continuation of such tax at the next general municipal election and at an election held every 5 years thereafter;
- require any current earnings tax that is not approved by the voters to be phased out over a period of 10 years; and
- prohibit any city from adding a new earnings tax to fund their budget?

The proposal could eliminate certain city earnings taxes. For 2010, Kansas City and the City of St. Louis budgeted earnings tax revenue of \$199.2 million and \$141.2 million, respectively. Reduced earnings tax deductions could increase state revenues by \$4.8 million. The total cost or savings to state and local governmental entities is unknown.

SECTION

- A. Enacting clause.
- 92.105. Intent clause.
- 92.110. Limitation on imposition of earnings tax—definitions.
- 92.112. Definition of salaries, wages, commissions and other compensation.
- 92.115. Constitutional charter cities—requirements—ballot language.
- 92.125. Reduction of earnings tax, when, amount.

Be it enacted by the people of the State of Missouri:

SECTION A. ENACTING CLAUSE. — Sections 92.110, 92.112, 92.210, 92.220, 92.230, 92.240, 92.250, 92.260, 92.270, 92.280, 92.290 and 92.300 are repealed and five new sections enacted thereof to be known as sections 92.105, 92.110, 92.112, 92.115, and 92.125 to read as follows:

92.105. INTENT CLAUSE. — It is the intent of sections 92.105 to 92.125 that starting in 2011, voters in any city imposing an earnings tax will decide in local elections to continue the earnings tax. If the majority of local voters vote to continue the earnings tax, it will continue for five years and then will be voted on again. If a majority of voters in any city having an earnings tax vote against continuing the earnings tax, it will be phased out pursuant to section 92.125 in such city over a period of ten years. Further, sections 92.105 to 92.125 prohibit any Missouri city or town that does not, as of the effective date of this section impose an earnings tax, from imposing such a tax on residents and businesses.

92.110. LIMITATION ON IMPOSITION OF EARNINGS TAX—DEFINITIONS. — 1 After December 31, 2011, no city, including any constitutional charter city, shall impose or levy an earnings tax, except, a constitutional charter city that imposed or levied an earnings tax on the effective date of this section may continue to impose the earnings tax if it submits to the voters of such city pursuant to section 92.115, the question whether to continue such earnings tax for a period of five years and a majority of such qualified voters voting thereon approve such question, however, if no such election is held, or if in any election held to continue to impose or

levy the earnings tax a majority of such qualified voters voting thereon fail to approve the continuation of the earnings tax, such city shall no longer be authorized to impose or levy such earnings tax except to reduce such tax in the manner provided by section 92.125.

2. As used in sections 92.110 to 92.200, unless the context clearly requires otherwise, the term “earnings tax” means a tax on the:

- (a) salaries, wages, commissions and other compensation earned by its residents;
- (b) salaries, wages, commissions and other compensation earned by nonresidents of the city for work done or services performed or rendered in the city;
- (c) net profits of associations, businesses or other activities conducted by residents;
- (d) net profits of associations, businesses or other activities conducted in the city by nonresidents;
- (e) net profits earned by all corporations as the result of work done or services performed or rendered and business or other activities;

92.112. DEFINITION OF SALARIES, WAGES, COMMISSIONS AND OTHER COMPENSATION.

— As referred to in section 92.110, the term salaries, wages, commissions and other compensation shall not include any contributions to any deferred compensation plans, including but not limited to, any salary reduction plans, cafeteria plans or any other similar plans deferring the receipt of compensation by a resident or nonresident if such contribution is not subject to Missouri state income tax at the time such contribution is made.

92.115. CONSTITUTIONAL CHARTER CITIES—REQUIREMENTS—BALLOT LANGUAGE.

— 1 Any constitutional charter city which as of the effective date of this section imposed or levied an earnings tax, may continue to impose or levy an earnings tax, pursuant to sections 92.110 to 92.200, if it submits to the qualified voters of such city on the next general municipal election date immediately following the effective date of this section, and once every five years thereafter, the question whether to continue to impose and levy the earnings tax authorized pursuant to sections 92.110 to 92.200, and if a majority of qualified voters voting approve the continuance of the earnings tax at such election.

2. The question submitted to the qualified voters in any such city shall contain the earnings tax percentage imposed and the name of the city submitting the question and shall otherwise contain exactly the following language:

Shall the earnings tax of ___%, imposed by the City of _____, be continued for a period of five (5) years commencing January 1 immediately following the date of this election?

_____ Yes _____ No

3. If the question whether to continue to impose and levy the earnings tax fails to be approved by the majority of qualified voters voting thereon, the earnings tax levied and imposed on the effective date of this section shall be reduced pursuant to section 92.125 commencing January 1 of the calendar year following the date of the election held under this section or January 1 of the calendar year following the calendar year in which such election was authorized under this section but not held by such city.

4. No city which has begun reductions of its earnings tax pursuant to section 92.125 may, by ordinance or any other means, with or without voter approval, stop or suspend such reduction.

92.125. REDUCTION OF EARNINGS TAX, WHEN, AMOUNT. If no election is held pursuant to section 92.115, or if in an election held to continue to impose or levy the earnings tax a majority of such qualified voters fail to approve the continuance of the earnings tax, the earnings tax levied and imposed on the effective date of this section shall be reduced as follows:

(1) Beginning January 1 of the first calendar year following the calendar year in which the election provided for in section 92.115 was held or the calendar year in which the election

provided for in section 92.115 was authorized to be held but was not held, the earnings tax shall not be in excess of nine-tenths of one percent;

(2) Beginning January 1 of the second calendar year following the calendar year in which the election provided for in section 92.115 was held or the calendar year in which the election provided for in section 92.115 was authorized to be held but was not held, the earnings tax shall not be in excess of eight-tenths of one percent;

(3) Beginning January 1 of the third calendar year following the calendar year in which the election provided for in section 92.115 was held or the calendar year in which the election provided for in section 92.115 was authorized to be held but was not held, the earnings tax shall not be in excess of seven-tenths of one percent;

(4) Beginning January 1 of the fourth calendar year following the calendar year in which the election provided for in section 92.115 was held or the calendar year in which the election provided for in section 92.115 was authorized to be held but was not held, the earnings tax shall not be in excess of six-tenths of one percent;

(5) Beginning January 1 of the fifth calendar year following the calendar year in which the election provided for in section 92.115 was held or the calendar year in which the election provided for in section 92.115 was authorized to be held but was not held, the earnings tax shall not be in excess of one-half of one percent;

(6) Beginning January 1 of the sixth calendar year following the calendar year in which the election provided for in section 92.115 was held or the calendar year in which the election provided for in section 92.115 was authorized to be held but was not held, the earnings tax shall not be in excess of four-tenths of one percent;

(7) Beginning January 1 of the seventh calendar year following the calendar year in which the election provided for in section 92.115 was held or the calendar year in which the election provided for in section 92.115 was authorized to be held but was not held, the earnings tax shall not be in excess of three-tenths of one percent;

(8) Beginning January 1 of the eighth calendar year following the calendar year in which the election provided for in section 92.115 was held or the calendar year in which the election provided for in section 92.115 was authorized to be held but was not held, the earnings tax shall not be in excess of two-tenths of one percent;

(9) Beginning January 1 of the ninth calendar year following the calendar year in which the election provided for in section 92.115 was held or the calendar year in which the election provided for in section 92.115 was authorized to be held but was not held, the earnings tax shall not be in excess of one-tenth of one percent;

(10) After the ninth calendar year following the calendar year in which the election provided for in section 92.115 was held or the calendar year in which the election provided for in section 92.115 was authorized to be held but was not held, notwithstanding any provisions of this chapter or chapters 66, 80, or 94, RSMo, or the provisions of any municipal charter, no city, including any constitutional charter city, which either failed to hold an election pursuant to section 92.110 or which held an election pursuant to section 92.110 and in which a majority of qualified voters fail to approve the continuance of the earnings tax, may impose or levy by ordinance or any other means an earnings tax.

[92.110. TAX MAY BE LEVIED ON EARNINGS AND PROFITS (ST. LOUIS). — Any constitutional charter city in this state which now has or may hereafter acquire a population in excess of seven hundred thousand inhabitants, according to the last federal decennial census, is hereby authorized to levy and collect, by ordinance, for general revenue purposes, an earnings tax on the salaries, wages, commissions and other compensation earned by its residents; on the salaries, wages, commissions and other compensation earned by nonresidents of the city for work done or services performed or rendered in the city; on the net profits of associations, business or other activities conducted by residents; on the net profits of associations, businesses or other activities conducted in the city by nonresidents; and on the net profits earned by all corporations

as the result of work done or services performed or rendered and business or other activities conducted in the city.

92.112. EARNINGS TAX NOT TO INCLUDE DEFERRED COMPENSATION AND CERTAIN OTHER SALARY REDUCTION PLANS, WHEN (KANSAS CITY, ST. JOSEPH AND ST. LOUIS CITY).

— As referred to in sections 92.110 and 92.210, the terms salaries, wages, commissions and other compensation shall not include any contributions to any deferred compensation plans, such as but not limited to, any salary reduction plans, cafeteria plans or any other similar plans deferring the receipt of compensation by a resident or nonresident if such contribution is not subject to Missouri state income tax at the time such contribution is made.

92.210. TAX MAY BE LEVIED ON EARNINGS AND PROFITS (KANSAS CITY AND ST. JOSEPH).

— Any constitutional charter city in this state which now has or may hereafter acquire a population of more than four hundred fifty thousand but less than seven hundred thousand inhabitants, according to the last federal decennial census, and any city with a population of seventy thousand or more inhabitants which is located entirely within one county which does not have a charter form of government, but which does have another state as one of its boundaries, and which does not adjoin a first class county with a population of at least nine hundred thousand inhabitants is hereby authorized to levy and collect, by ordinance, for general revenue purposes, an earnings tax on the salaries, wages, commissions and other compensation earned by its residents; on the salaries, wages, commissions and other compensation earned by nonresidents of the city for work done or services performed or rendered in the city; on the net profits of associations, businesses or other activities conducted by residents; on the net profits of associations, businesses or other activities conducted in the city by nonresidents; and on the net profits earned by all corporations as the result of work done or services performed or rendered and business or other activities conducted in the city.

92.220. INCOME EXEMPT FROM EARNINGS TAX (KANSAS CITY AND ST. JOSEPH). — 1.
The income received by any

- (1) Labor, agricultural or horticultural organizations;
 - (2) Mutual savings bank not having a capital stock represented by shares;
 - (3) Fraternal-beneficiary society, order or association, operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident or other benefits to the members of such society, order, or association or their dependents;
 - (4) Domestic building and loan associations and credit unions without capital stock organized and operated for mutual purposes and without profit;
 - (5) Cemetery company owned and operated exclusively for the benefit of its members, unless said cemetery is operated for profit;
 - (6) Corporation or association organized and operated exclusively for religious, charitable, scientific or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual;
 - (7) Business league, chamber of commerce or board of trade not organized for profit and no part of the net income of which inures to the benefit of any private stockholder or individual;
 - (8) Civic league or organization not organized for profit but operated exclusively for the promotion of social welfare;
 - (9) Club organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, no part of the net income of which inures to the benefit of any private stockholder or member;
 - (10) Farmers or other mutual hail, cyclone or fire insurance company, mutual ditch or irrigation company, mutual or cooperative telephone company, or like organization, the income
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of which consists solely of assessments, dues and fees collected from members for the sole purpose of meeting its expenses;

(11) Farmers, fruit growers or like association, organized and operated as a sales agent for the purpose of marketing the products of its members and turning back to them the proceeds of sales, less the necessary selling expenses, on the basis of the quantity of produce furnished by them;

(12) Corporation or association organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt from the tax imposed by chapter 143, RSMo;

(13) Federal land banks and national farm loan associations, as provided in section 26 of an act of Congress approved July 17, 1916, entitled "An act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create government depositaries and financial agents for the United States, and for other purposes";

(14) Joint stock land banks as to income derived from bonds or debentures or other joint stock land banks or any federal land bank belonging to such joint stock land bank;

(15) Express companies which now pay an annual tax on their gross receipts in this state and insurance companies which pay an annual tax on their gross premium receipts in this state;

(16) Trust created by an employer and employees as part of a stock bonus, pension or profit-sharing plan, for the exclusive benefit of employees, to which contributions are made by such employer or employees, or both, for the purpose of distributing to such employees the earnings and principal of the fund accumulated by the trust in accordance with such plan, or a trust consisting solely of one or more restricted retirement funds created for one or more self-employed persons as part of a retirement plan for the exclusive benefit of such self-employed person or persons, to which contributions are made by such self-employed person or persons, for the purpose of distributing to such self-employed person or persons the earnings and principal of the fund accumulated by the trust in accordance with such plan and the amount actually distributed, or made available to any distributee;

shall not be taxable under any tax ordinance enacted pursuant to the provisions of sections 92.210 to 92.300.

2. The following income, regardless of who receives it, shall be exempt from such tax:

(1) The proceeds of life insurance policies paid to the individual beneficiaries upon the death of the insured;

(2) The amount received by the insured as a return of premium or premiums paid by him under life insurance or endowment contracts, either during the term or at the maturity of the term mentioned in the contract or upon the surrender of the contract;

(3) Any amount received under workers' compensation acts, as compensation for personal injuries or sickness, plus the amount of any damages received whether by suit or agreement on account of such injuries or sickness, or through the war risk insurance act or any law for the benefit or relief of injured or disabled members of the military or naval forces of the United States;

(4) The value of property acquired by gift, bequest, devise or descent, but the income from such property shall be included as income;

(5) Interest upon the obligations of this state or of any political subdivision thereof, or upon the obligations of the United States or its possessions;

(6) Any income derived from any public utility performing functions of national government or those incident to the state or any political subdivision thereof, or from the exercise of any essential government function accruing to any state, territory or the District of Columbia; provided, that whenever any state, territory or the District of Columbia, or any political subdivision of a state or territory has, prior to the passage of chapter 143, RSMo, entered in good faith into a contract with any person or corporation the object and purpose of which is to acquire,

construct, operate or maintain a public utility, no tax shall be levied under the provisions of chapter 143, RSMo, upon the income derived from the operation of such public utility, so far as the payment thereof will impose a loss or burden upon such state, territory or the District of Columbia, or a political subdivision of this state; but this provision is not intended to confer upon such person or corporation any financial gain or exemption or to relieve such person or corporation from the payment of a tax as provided for in chapter 143, RSMo, upon the part or portion of said income to which such person or corporation shall be entitled under such contract.

92.230. TAX RATE LIMITS (KANSAS CITY AND ST. JOSEPH). — The tax on salaries, wages, commissions and other compensation of individuals, subject to tax, and on the net profits or earnings of associations, businesses or other activities, and corporations, subject to tax, shall not be in excess of one percent a year.

92.240. NET PROFITS, HOW ASCERTAINED (KANSAS CITY AND ST. JOSEPH). — The net profits or earnings of associations, businesses or other activities, and corporations shall be ascertained and determined by deducting the necessary expenses of operation from the gross profits or earnings.

92.250. TAX ORDINANCE TO CONTAIN FORMULAE FOR DETERMINING PROFITS OF NONRESIDENTS AND CORPORATIONS (KANSAS CITY AND ST. JOSEPH). — The earnings or net profits subject to tax of any nonresident individual, of any association or business conducted by nonresidents, or of any corporation, in any case in which the work done, services performed or rendered, and business or other activities conducted or done, performed, rendered or conducted both within and without the city may be ascertained by formulae set forth in any ordinance enacted pursuant to sections 92.210 to 92.300 or prescribed by rules or regulations.

92.260. DEDUCTIONS, EXEMPTIONS AND CREDITS (KANSAS CITY AND ST. JOSEPH). — The municipal assembly of the city may provide for deductions, exemptions and credits.

92.270. WAGE BRACKETS MAY BE ESTABLISHED (KANSAS CITY AND ST. JOSEPH). — In order to facilitate the collection of the tax herein authorized, the city may by ordinance create wage brackets within which the tax shall be uniform for taxpayers entitled to the same number of exemptions.

92.280. EMPLOYERS MAY COLLECT TAX AND ALLOWANCE MAY BE AUTHORIZED (KANSAS CITY AND ST. JOSEPH). — The city is hereby authorized to impose upon employers the duty of collecting and remitting to the city any tax that may be levied upon the earnings of employees pursuant to sections 92.210 to 92.300, and to prescribe penalties for failure to perform the duty. In the event that the city should impose the duty on employers, each employer shall be entitled to deduct and retain three percent of the total amount collected to compensate the employer for collecting the tax. The governing body of the city may, by ordinance, reduce, eliminate, or reimpose, if eliminated, the fee allowed to employers by this section.

92.290. TAX ORDINANCE NOT TO REQUIRE COPIES OF FEDERAL OR STATE INCOME TAX RETURNS (KANSAS CITY AND ST. JOSEPH). — No tax ordinance enacted pursuant to the provisions of sections 92.210 to 92.300 shall require any taxpayer to file copies of his state or federal income tax returns with any city officer, employee or other person designated by the ordinance to collect or otherwise administer any tax imposed thereunder.

92.300. AMENDMENT OF CHARTER TO AUTHORIZE EARNINGS TAX REQUIRED, HOW (KANSAS CITY AND ST. JOSEPH). — No ordinance enacted pursuant to the authority granted in sections 92.210 to 92.300 shall be effective unless the legislative body of the city shall have

submitted to the voters of the city the question of amending the charter, or revised charter, or amended charter of the city authorizing the legislative body of the city to impose a tax defined under sections 92.210 to 92.300. If a majority of the votes cast on the question by the voters voting thereon are in favor of the charter amendment, then the ordinance and any amendments thereto shall be in effect. If a majority of the votes cast by the voters voting thereon are opposed to the charter amendment, then the legislative body of the city shall have no power to impose the tax herein authorized unless and until the legislative body of the city shall again have submitted another proposal to amend the charter, or revised charter, or amended charter of the city, authorizing the legislative body of the city to impose the tax defined under sections 92.210 to 92.300, and the question has been approved by a majority of the voters voting thereon; except that, any tax rate previously adopted by a majority of the voters under the provisions of sections 92.210 to 92.300 and in effect at the time of the submission of a higher tax rate shall remain in effect if the higher rate is defeated by a majority of the voters voting thereon. If a proposed higher rate of taxation is defeated, no proposal to impose a higher rate of tax than the one remaining in effect after the defeat of the proposed higher rate shall again be submitted to the voters of the city within one year from the date of the election at which the proposed higher rate was defeated.]

Adopted November 2, 2010. (For — 1,297,197; Against — 599,672)
Effective December 2, 2010.
