

Better Together Policy Recommendation Analysis of New State Tax Revenue

Better Together's policy recommendation is estimated to result in increased state revenues of up to \$636,695 in 2023, increasing to up to \$6.95 million in new state revenue annually in 2032 and each year thereafter. Over the ten-year period from 2022 to 2032, the Better Together policy recommendation would generate up to \$40 million in new state revenue.

Beginning in 2022, the one-percent earnings tax will be reduced annually by one-tenth of one percent until eliminated in the manner provided in current law, Section 92.015, RSMo., due to the failure to reauthorize the tax in 2021. Beginning in 2022, the one-half of one percent payroll expense tax imposed by the City will be reduced annually by one-twentieth of one percent until eliminated. In 2023, the general revenue property tax levied in the former County is to be reduced to yield no greater than half the revenue generated by the levy during the prior year. In 2024, the general revenue county purposes property tax levy in the former City is replaced with the lowered general revenue property tax levied in the former County.

As the earnings tax, payroll tax, and property taxes decrease, the taxable income of individuals and corporations increase. The state tax revenue base thereby increases resulting in new state tax revenue.

The following is a description of the methodology used in analyzing the additional state tax revenue resulting from Better Together's policy recommendation. The following also includes a description of other estimates of additional state revenue from the reduction of the earnings tax and payroll expense tax to support the reasonableness of this analysis and its conclusions.

I. Earnings Tax Analysis

Pursuant to the City of St. Louis FY 2018 CAFR, the earnings tax revenue base was \$3,787,500,000 for business and \$14,558,200,000 for individuals.¹ This equates to a split of the earnings tax revenue base of approximately 20.65% business and 79.35% individual. The split between business and individual is relevant to state tax impact due to the method by which the payment of the tax may be utilized by taxpayers. In particular, an individual must itemize deductions and take such tax payment as a deduction to have an impact. However, a business uses the payment of tax as an expense, which reduces income and is either reported by the entity (corporation) or is passed to its owners (partnership/LLC). Thus, the analysis segregates the business and individual allocation between the earnings tax revenue base.

A. Individuals subject to Earnings Tax

Based on the City of St. Louis 2018 CAFR, the total earnings tax revenue base is \$18,345,700,000. The individual portion of the earnings tax revenue base is approximately

¹ City of St. Louis, 2018 Comprehensive Annual Financial Report, Pg. 210, available at https://www.stlouis-mo.gov/government/departments/comptroller/documents/upload/CityofStLouisMO_CAFR-FY18.PDF.

79.35% of such base or approximately \$14,558,200,000. Based on this information, 2018 aggregate individual earnings tax is \$145,582,000.

The earnings tax paid by individuals impacts state tax revenue when such individuals itemize deductions and claim a deduction for such tax payment. An individual that itemizes deductions thereby reduces his/her taxable income. Based on the 2008 Fiscal Note prepared by the State Auditor's Office related to a ballot measure to phase-out the earnings tax if not reauthorized by voters, approximately 28.06% of Missouri individual tax filers itemized deductions.² Thus, the analysis assumes that only 28.06% of the earnings tax paid by individuals has an impact on the state tax revenue. Data is not available to show a different deduction rate, such as any change in deduction rates due to recent changes to federal tax laws.

The analysis uses the statutory individual income tax rate and reflects a decrease in the rate based on current Missouri statutes. The calculations in Section I.A. of the analysis reflect the foregoing, along with the assumption that the earnings tax revenue base is constant.

B. Businesses subject to Earnings Tax

Based on the St. Louis City FY2018 CAFR, the total earnings tax revenue base is \$18,345,700,000. The business portion of the earnings tax revenue base is approximately 20.65% of such base or approximately \$3,787,500,000. Based on such information, 2018 aggregate business earnings tax is \$37,875,000.

Payment of the earnings tax is a business expense which will reduce the income of the business. Such reduced income is then taxed on either a corporate income tax return for a corporation or an individual income tax return if the business does not pay income tax but instead passes the income to its owners, such as a partnership. To analyze the tax impact, the tax effect must be segregated between corporation income tax and individual income tax. The corporate income tax rate is different than the individual income tax rate. Thus, the impact on state revenue depends in part on whether a corporation or an individual is reporting the income.

Per the Missouri Department of Revenue Financial and Statistical Report FYE June 30, 2017, 3,002,736 individual returns were filed and 146,282 corporate returns were filed.³ Thus, 95.35% of income tax returns were individual returns and 4.65% were corporate returns. Such percentages can be applied to the business portion of the earnings tax to determine an approximate amount reported by individuals and corporations respectively.

The analysis in Section I.B. applies these percentages to the earnings tax applicable to the business portion of the earnings tax revenue base. Section I.B.1. analyzes the impact using the foregoing percentages and the applicable individual income tax rate. The individual taxpayer will

² See Fiscal Note (09-62), Office of the Missouri State Auditor, *available at* <https://app.auditor.mo.gov/Repository/Notes/09-62.pdf>. This is consistent with the 29% deduction rate assumed by the Office of Administration Division of Budget and Planning (OA-B&P) in its response to a prior initiative petition seeking to enact the Better Together policy recommendation (IP 2020-039).

³ Missouri Department of Revenue Financial and Statistical Report FYE June 30, 2017, Pg. 18, Income Tax Summary of Activities, *available at* <https://dor.mo.gov/cafr/documents/financialstatreport17.pdf>.

be reporting the net business income, which has already been reduced by the earnings tax paid by the business. Therefore, unlike the analysis in Section I.A. above, the analysis does not include factoring in the deduction rate. Instead, the analysis looks at what happens to state tax revenue as the income of a business increases due to the reduced earnings tax expense. The difference in the expense amount from the original 2018 data is taxed at the individual income tax rate.

The analysis in Section I.B.2 addresses the business portion of the earnings tax, which can be attributable to corporations based on the corporate return rate above. The analysis looks at what happens to state tax revenue as the income of a corporation increases due to the reduced earnings tax expense. The difference in the expense amount from the original 2018 data is taxed at the corporate income tax rate.

II. Payroll Expense Tax Analysis

The payroll expense tax is applicable to businesses with payroll expenses. Such taxes are paid by the business and reduce business income. Similar to the analysis in I.B. above, the business income is either reported by a corporation or an individual owner of the business. The analysis is similar to I.B. above and is apportioned between individual reporting and corporation reporting. The individual reporting again does not factor in the deduction since the tax reduces the business income and is not an itemized deduction. The reduction in the payroll expense tax results in increased income of individuals and corporations, which in return results in new state tax revenue.

III. Property Tax Analysis

The Better Together policy recommendations include a reduction in the County general revenue property tax in 2023 followed by application of the lower County general revenue property tax in place of the higher City county purposes property tax in 2024.

A. County Property Tax Analysis

The assessed values for each class of property in the County are individually reported in the St. Louis County 2017 CAFR.⁴ The Missouri Auditor’s Office 2017 Property Tax Rates (“2017 Rates Report”) sets forth the permitted rates for the County general revenue property tax for each class of property.⁵ The assessed values and rates were utilized to determine such portion of the property tax currently. Per the policy recommendation, the general revenue levy of the County will be reduced to generate approximately 50% of the revenue for the prior year. For purposes of the analysis, 50% of the rates reported in the 2017 Rates Report has been utilized.

⁴ St. Louis County Comprehensive Annual Financial Report for the Year Ended December 31, 2017, Pg. 180, available at <https://www.stlouisco.com/Portals/8/2017%20CAFR.pdf>

⁵ Office of Missouri State Auditor Nicole Galloway, CPA, 2017 Property Tax Rates, Appendix VIII, Pg. 116, available at https://app.auditor.mo.gov/Repository/Press/2017143113567.pdf?_ga=2.196564524.1676225323.1550249944-1961047601.1502219957

To determine the impact on state revenue of this property tax reduction, the reductions must be apportioned between individual taxpayers and businesses. Available information does not fully apportion property tax payments in the County, although the County 2017 CAFR does report the principal property taxpayers, which are businesses and which account for 5.8% of the assessed value.⁶ This percentage is utilized to allocate property taxes 94.2% for individuals and at least 5.8% for businesses.

The allocation between business and individual is relevant to state tax impact due to the method by which the payment of tax may be utilized by taxpayers. As discussed above in section I.A., an individual must itemize deductions and take such tax payment as a deduction to have an impact. However, a business uses the payment of tax as an expense, which reduces income and is either reported by the entity (corporation) or is passed to its owners (partnership/LLC). Thus, the analysis segregates the business and individual allocation of the property tax.

Based on the St. Louis County 2017 CAFR and Auditor's 2017 Rates Report, the applicable general revenue property tax generated approximately \$47,124,464. For purposes of this analysis and based on the information set forth below, this property tax is allocated 94.2% to individuals, such that individual taxpayers paid \$44,391,245 of the total general revenue property tax. Such individual amount will be subject to itemized deductions for reporting and the methodology applies the deduction percentage as stated in Section I.A. above. The 5.8% of the general revenue property tax apportioned to businesses is allocated between corporations and individuals similar to the analysis in Section I.B. above based on the percentage of returns filed.

The analysis uses the statutory individual income tax rate and corporate tax rates similar to the analysis in Sections I and II above. The assessed value of property was constant in the analysis.

B. City Property Tax Analysis

St. Louis City levies property tax on all classes of property at a single tax rate. The assessed value of City property subject to the property tax for county purposes and the rate of such tax is reported in the Auditor's 2017 Rates Report.⁷ In 2024, the county purposes property tax in the former City would be replaced with the County general revenue property tax as reduced per the recommendation, resulting in a reduced rate applicable to all classes of property.

Similar to the analysis for the reduction of the County general revenue property tax in Section III.A., the county purpose property tax in the City must be apportioned between individuals and businesses. The principal taxpayers of the property tax reported in the St. Louis City 2018 CAFR are all businesses and account for 11.99% of the assessed value.⁸ This percentage is used to allocate the county purposes property tax between individuals 88.01% and businesses 11.99%. The analysis utilizes a similar approach as in Section III.A. above to allocate and calculate the current apportionment to determine future state tax revenue impact.

⁶ St. Louis County 2017 CAFR, Pg. 182.

⁷ Auditor's 2017 Rate Report, Appendix VII, Pg. 108.

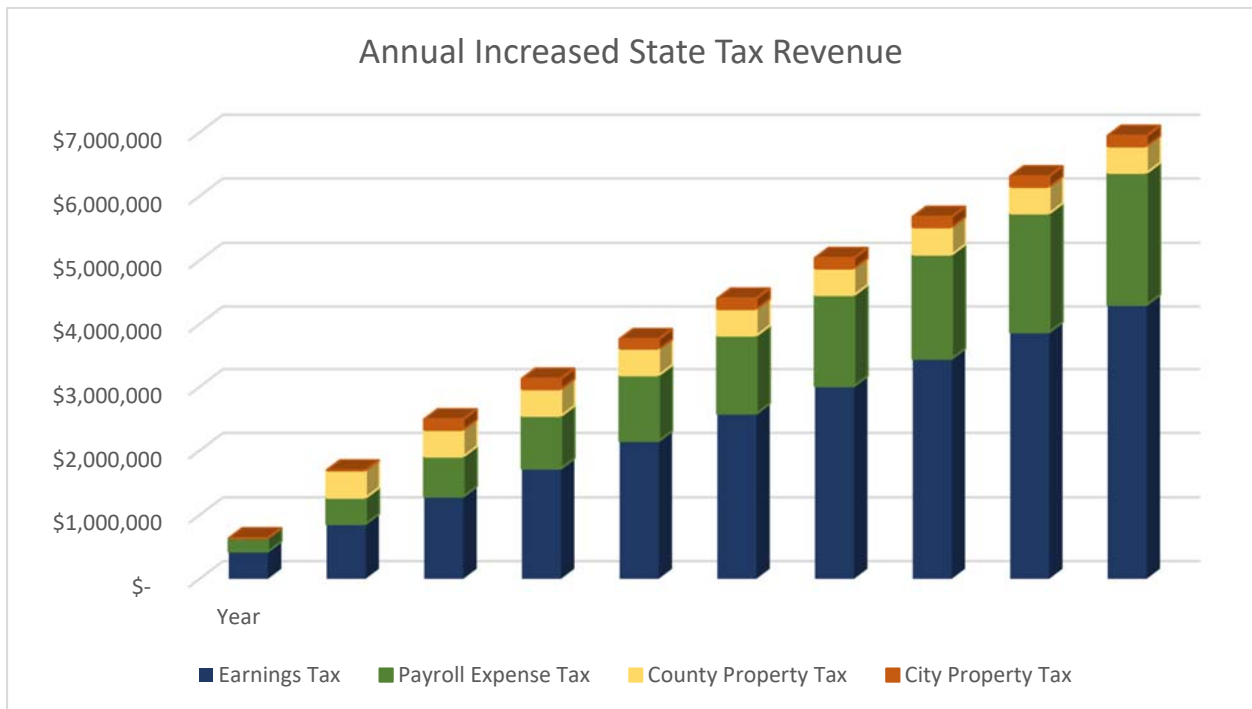
⁸ St. Louis City 2018 CAFR, Table 7, Pg. 208.

Under the policy recommendation, in 2024, when the County property tax would replace the City’s county purposes property tax, the classes of property will become relevant. The City 2018 CAFR reports classifications of property and the assessed values thereof.⁹ These values are used to apply the reduced County property tax rates provided in the analysis in Section III.A. above to the relevant class of property (with manufacturer’s machinery tools and equipment added to personal property classification). The analysis does not factor in tax-exempt property, since sufficient information is not provided in the CAFR to allocate such amount to the classes of property.

IV. New State Revenues

Based on the foregoing analysis and as reflected in the enclosed materials, the phase-out of the earnings tax and payroll expense tax and the reduction in property tax would result in new state revenues beginning in 2023 and increasing each year until 2032. The tables below summarize the new state revenue each year resulting from the policy recommendation.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Additional State Tax Revenue	\$636,695	\$1,690,146	\$2,491,446	\$3,128,142	\$3,764,837	\$4,401,533	\$5,038,228	\$5,674,923	\$6,311,619	\$6,948,314



⁹ St. Louis City 2018 CAFR, Table 5, Pg. 206.

V. Additional Information

A. Prior Fiscal Notes on Earnings Tax Measures

The above estimate of new state revenue is consistent with prior estimates of new state revenue from the phase-out of the earnings tax over a period of ten years. This additional information is provided merely for comparison, with differences between the present analysis noted below.

For example, Senate Substitute for Senate Bill 575 (2016) would have phased-out the City of St. Louis earnings tax by one-tenth of one percent each year for ten years.¹⁰ Relying on an estimated \$160 million annually in earnings tax revenue and a six percent income tax rate, the Oversight Division assumed an increase in state revenue of up to \$1.92 million in the first full tax year and up to \$9.6 million annually once the tax is fully eliminated.

Unlike the present analysis, this estimate does not apportion the taxes paid between individuals and businesses and does not apply a deduction factor. Therefore, this estimate likely overstates the additional state revenues that would be generated by the earnings tax phase-out. The payroll expense tax was not phased-out as part of the proposal analyzed by the fiscal note, and therefore the fiscal note does not reflect additional state revenue from the phase-out of the payroll expense tax as provided in the Better Together policy recommendation.

The State Auditor's Office similarly reflected a positive impact to state revenues as a result of the ten year phase-out of the earnings tax.¹¹ The State Auditor's fiscal note for an initiative petition related to the earnings tax in St. Louis and Kansas City adopted in November 2010 noted that in 2008, the City of St. Louis collected \$174.9 million annually in earnings tax and the City of Kansas City collected \$202.5 million annually, for a total of \$377.4 million in annual earnings taxes paid. The Missouri Department of Revenue reported that \$105.9 million in deductions were claimed for earnings taxes in St. Louis and Kansas City in tax year 2008. Assuming a 4.5-percent effective individual income tax rate, the Office of Administration estimated a \$4.8 million annual increase in state revenues when fully implemented, and a \$500,000 increase in state revenues in the first year of the phase-out. Accordingly, the fiscal summary issued by the Auditor and presented to the voters indicated that if the earnings tax was fully-phased out, "[r]educd earnings tax deductions could increase state revenues by \$4.8 million."

Unlike the present analysis, this estimate does not apportion the taxes paid between individuals and businesses and therefore likely understates the additional state revenues that would be generated by the earnings tax phase-out. The payroll expense tax was not phased-out as part of the proposal analyzed by the fiscal note, and therefore the fiscal note does not reflect the additional state revenue from the phase-out of the payroll expense tax provided in the Better Together policy recommendation.

¹⁰ See Fiscal Note for Senate Committee Substitute for Senate Bill 575 (2016), available at <http://www.moga.mo.gov/OverSight/Over20161//fispdf/5045-05N.ORG.pdf>

¹¹ See Fiscal Note (09-62), Office of the Missouri State Auditor, available at <https://app.auditor.mo.gov/Repository/Notes/09-62.pdf>.

B. OA-B&P Response to 2020-039

In its fiscal note response to a prior initiative petition seeking to enact the Better Together policy recommendations (IP 2020-039), the Office of Administration Division of Budget and Planning (OA-B&P) estimated that the Better Together policy recommendations could increase state revenues by \$3.2 million once fully implemented. However, OA-B&P assumed that the phase-out of the earnings tax and payroll expense tax would occur over a period of twenty years, rather than over a period of ten years as provided in the language of the policy recommendations. Specifically, the language of the policy recommendation requires the one percent earnings tax to phase out by one-tenth-of-one percent annually for ten years pursuant to existing law, *see* Section 92.015, RSMo., and the one half-percent payroll expense to phase out by one-twentieth of one percent annually over ten years.¹² Based on its assumption that the phase-out was over a 20-year period rather than a 10-year period, OA-B&P reflected an annual increase in state revenues over a period of 20 years from 2022 through 2042, rather than over a 10-year period from 2022 through 2032.

In addition to the longer phase-out period assumed, the OA-B&P fiscal note response also understated the positive impact to state revenue by failing to account for the distinction between individual and business taxpayers, both of whom pay the earnings tax. As discussed above, during FY 2018, the earnings tax revenue base was \$3,787,500,000 for businesses and \$14,558,200,000 for individuals, which equates to an apportionment of approximately 20.65% business and 79.35% individual. This apportionment affects state tax revenues as individuals who pay the tax report the payment as an itemized deduction on their tax returns. However, a business that pays the tax treats the tax as an expense, which affects the net income of the business. Accordingly, applying a deduction rate to the entire earnings tax, as the OA-B&P fiscal note response does, fails to recognize that a portion of the tax is not required to be itemized in order to impact the income of taxpayers and thereby impact state revenues. The methodology discussed above and reflected in the supporting materials recognizes the apportionment between individuals and businesses in determining state revenue impact by applying a deduction rate to the tax paid by individuals, while not applying a deduction rate to the tax apportioned to businesses.

There are a number of additional distinctions between the present analysis and the OA-B&P response. First, unlike the OA-B&P analysis, the present analysis uses statutory rates of tax recognizing that a portion of the businesses paying the tax are corporations based on the Department of Revenue's apportionment between individual and corporate tax returns. Second, the OA-B&P response does not distinguish between the positive state revenue impact from the earnings tax and payroll expense tax, which further understates the estimated new state revenues. Unlike the earnings tax, which is largely assessed against individual earnings, the payroll expense tax is assessed based on the payroll expenses of businesses. As such, the payroll expense tax is a business cost that would reduce the income of the business and is not a separate itemizable deduction of an individual. Accordingly, no deduction rate should be applied to the payroll

¹² *See* Article VI, Section 30.7(2)(a) ("Upon the failure to submit any question to voters with respect to the continued levy or imposition of any tax on earnings, such tax shall be reduced in *the manner provided by law*, and any tax on payroll expense levied or imposed by a municipality prior to the effective date of this section shall be reduced by one-twentieth of one percent annually until such tax is eliminated.") (emphasis added).

expense tax reduction, and, by doing so, the OA-B&P fiscal note response understates the positive state revenue impact of the Better Together policy proposal.

Finally, the OA-B&P response understates the additional state revenue generated by the Better Together policy recommendation because it does not address the required property tax reductions and the additional state revenues such reductions would generate.

**St. Louis City Earnings Tax and Payroll Expense Tax
Analysis of Increased State Tax Revenue
from Reduction and Elimination of Earnings Tax**

I. EARNINGS TAX ANALYSIS												
	2018	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
Revenue Base--Earnings subject to Tax ¹	\$ 18,345,700,000	\$ 18,345,700,000	\$ 18,345,700,000	\$ 18,345,700,000	\$ 18,345,700,000	\$ 18,345,700,000	\$ 18,345,700,000	\$ 18,345,700,000	\$ 18,345,700,000	\$ 18,345,700,000	\$ 18,345,700,000	
Earnings Tax Rate	1.00%	0.90%	0.80%	0.70%	0.60%	0.50%	0.40%	0.30%	0.20%	0.10%	0.00%	
Earnings Tax	\$ 183,457,000	\$ 165,111,300	\$ 146,765,600	\$ 128,419,900	\$ 110,074,200	\$ 91,728,500	\$ 73,382,800	\$ 55,037,100	\$ 36,691,400	\$ 18,345,700	\$ -	
A. Individual Earnings Subject to Earnings Tax												
Individual Earnings Percentage of Tax Revenue Base ²	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%	79.35%	
Individual Revenue Base	\$ 14,558,200,000											
Individual Earnings Tax	\$ 145,582,000	\$ 131,023,800	\$ 116,465,600	\$ 101,907,400	\$ 87,349,200	\$ 72,791,000	\$ 58,232,800	\$ 43,674,600	\$ 29,116,400	\$ 14,558,200	\$ -	
Deduction Rate (per 2008 info) ³	28.06%											
Deductions of Individual Earnings Tax	\$ 40,850,309	\$ 36,765,278	\$ 32,680,247	\$ 28,595,216	\$ 24,510,186	\$ 20,425,155	\$ 16,340,124	\$ 12,255,093	\$ 8,170,062	\$ 4,085,031	\$ -	
Increased Individual State Income over 2018 (Decrease in Deductions)	\$ 4,085,031	\$ 8,170,062	\$ 12,255,093	\$ 16,340,124	\$ 20,425,155	\$ 24,510,186	\$ 28,595,216	\$ 32,680,247	\$ 36,765,278	\$ 40,850,309	\$ -	
Statutory Individual Income Tax Rate ⁴	5.900%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	
Additional State Tax Revenue - Individual Earnings⁷	\$ 224,677	\$ 449,353	\$ 674,030	\$ 898,707	\$ 1,123,384	\$ 1,348,060	\$ 1,572,737	\$ 1,797,414	\$ 2,022,090	\$ 2,246,767	\$ -	
B. Business Earnings Subject to Earnings Tax												
Business Earnings Percentage of Tax Revenue Base ²	20.65%											
Business Revenue Base	\$ 3,787,500,000											
Business Earnings Tax	\$ 37,875,000	\$ 34,087,500	\$ 30,300,000	\$ 26,512,500	\$ 22,725,000	\$ 18,937,500	\$ 15,150,000	\$ 11,362,500	\$ 7,575,000	\$ 3,787,500	\$ -	
1. Business Earnings Reported by Individuals												
Individual Percent per 2017 Tax Returns Filed in MO ⁵	95.35%											
Business Earnings Tax Reported by Individuals	\$ 36,113,291	\$ 32,501,962	\$ 28,890,633	\$ 25,279,304	\$ 21,667,975	\$ 18,056,645	\$ 14,445,316	\$ 10,833,987	\$ 7,222,658	\$ 3,611,329	\$ -	
Increase to Individual Income (Decrease in Earnings Tax Expense, Increased Business Income)	\$ 3,611,329	\$ 7,222,658	\$ 10,833,987	\$ 14,445,316	\$ 18,056,645	\$ 21,667,975	\$ 25,279,304	\$ 28,890,633	\$ 32,501,962	\$ 36,113,291	\$ -	
Statutory Individual Income Tax Rate ⁴	5.900%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	
Additional State Tax Revenue - Business Earnings at Individual Rates⁷	\$ 198,623	\$ 397,246	\$ 595,869	\$ 794,492	\$ 993,116	\$ 1,191,739	\$ 1,390,362	\$ 1,588,985	\$ 1,787,608	\$ 1,986,231	\$ -	
2. Business Earnings Reported by Corporations												
Corporate Percent per 2017 Tax Returns Filed in MO ⁵	4.65%											
Business Earnings Tax Reported by Corporations	\$ 1,761,709	\$ 1,585,538	\$ 1,409,367	\$ 1,233,196	\$ 1,057,025	\$ 880,855	\$ 704,684	\$ 528,513	\$ 352,342	\$ 176,171	\$ -	
Increase to Corporate Income (Decrease in Earnings Tax Expense, Increased Corporate Income)	\$ 176,171	\$ 352,342	\$ 528,513	\$ 704,684	\$ 880,855	\$ 1,057,025	\$ 1,233,196	\$ 1,409,367	\$ 1,585,538	\$ 1,761,709	\$ -	
Statutory Corporate Income Tax Rate ⁶	6.25%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
Additional State Tax Revenue - Business Earnings at Corporate Rates⁷	\$ 7,047	\$ 14,094	\$ 21,141	\$ 28,187	\$ 35,234	\$ 42,281	\$ 49,328	\$ 56,375	\$ 63,422	\$ 70,468	\$ -	
Total Additional Annual State Tax Revenue - Earnings Tax⁷	\$ 430,347	\$ 860,693	\$ 1,291,040	\$ 1,721,387	\$ 2,151,733	\$ 2,582,080	\$ 3,012,426	\$ 3,442,773	\$ 3,873,120	\$ 4,303,466	\$ -	

Assumptions:

- Earnings Tax Revenue Base as reported in St. Louis City FY 2018 CAFR, Table 9 of Statistical Section. Such amounts are constant throughout the term and are not adjusted to reflect inflation.
- Percentage of Earnings Tax Revenue reported by individuals or business based on FY 2018 Revenue Base as reported at St. Louis City FY 2018 CAFR, Table 9 of Statistical Section.
- Deductions are based on the same proportion of deductions to the earnings tax per the State Auditor November 2010 Note.
- 2018 Individual Income Tax Rate is the adjusted rate per RSMo. §§143.011.1 and 143.011.2. Thereafter, the rate is the rate provided per §143.011.3 without additional adjustments.
- Percentage of Income Tax Returns of Individuals and Corporations based on Missouri DOR Financial and Statistical Report FYE June 20, 2017, Income Tax Summary of Activities.
- 2018 Corporate Tax Rate is per RSMo. §143.071.2 and 2020 and thereafter is based on §143.071.3.
- State Tax Revenue impact will be recognized in the year following the taxation. Summary information accounts for such delay by reporting the impact the year following the calculations above.

**St. Louis City Earnings Tax and Payroll Expense Tax
Analysis of Increased State Tax Revenue
from Reduction and Elimination of Payroll Expense Tax**

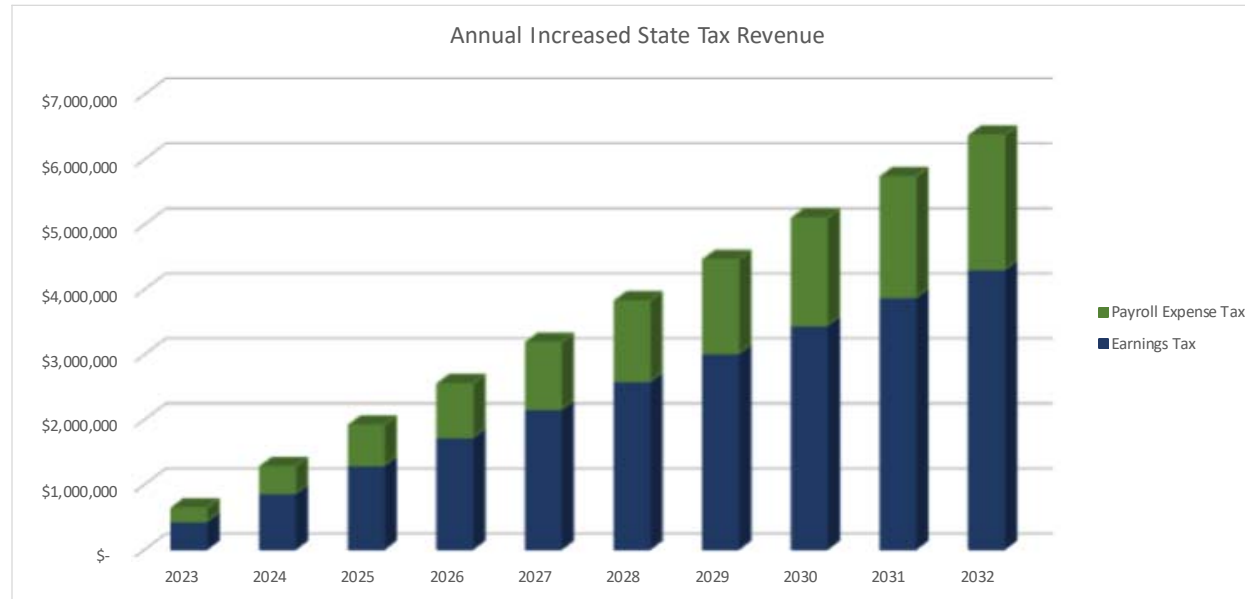
II. PAYROLL EXPENSE TAX ANALYSIS												
	2018	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
Payroll Expense subject to Tax ¹	\$ 7,600,000,000	\$ 7,600,000,000	\$ 7,600,000,000	\$ 7,600,000,000	\$ 7,600,000,000	\$ 7,600,000,000	\$ 7,600,000,000	\$ 7,600,000,000	\$ 7,600,000,000	\$ 7,600,000,000	\$ 7,600,000,000	
Payroll Expense Tax Rate	0.50%	0.4500%	0.40%	0.35%	0.30%	0.25%	0.20%	0.15%	0.10%	0.05%	0.00%	
Payroll Expense Tax	\$ 38,000,000	\$ 34,200,000	\$ 30,400,000	\$ 26,600,000	\$ 22,800,000	\$ 19,000,000	\$ 15,200,000	\$ 11,400,000	\$ 7,600,000	\$ 3,800,000	\$ -	
A. Business Income (Reduced by Payroll Expense Tax) Reported by Individuals												
Individual Percent per 2017 Tax Returns Filed in MO ⁵	95.35%											
Payroll Expense Tax as Reduction to Business Income reported by Individuals	\$ 36,232,477	\$ 32,609,229	\$ 28,985,981	\$ 25,362,734	\$ 21,739,486	\$ 18,116,238	\$ 14,492,991	\$ 10,869,743	\$ 7,246,495	\$ 3,623,248	\$ -	
Increased Business Income subject to Individual Rates	\$ 3,623,248	\$ 7,246,495	\$ 10,869,743	\$ 14,492,991	\$ 18,116,238	\$ 21,739,486	\$ 25,362,734	\$ 28,985,981	\$ 32,609,229	\$ 36,232,477		
Statutory Individual Income Tax Rate ⁴	5.900%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	
Additional State Tax Revenue - Payroll Expense Tax at Individual Rates⁷	\$ 199,279	\$ 398,557	\$ 597,836	\$ 797,114	\$ 996,393	\$ 1,195,672	\$ 1,394,950	\$ 1,594,229	\$ 1,793,508	\$ 1,992,786		
B. Business Income (Reduced by Payroll Expense Tax) Reported by Corporations												
Corporate Percent per 2017 Tax Returns Filed in MO ⁵	4.65%											
Payroll Expense Tax as Reduction to Business Income reported by Corporations	\$ 1,767,523	\$ 1,590,771	\$ 1,414,019	\$ 1,237,266	\$ 1,060,514	\$ 883,762	\$ 707,009	\$ 530,257	\$ 353,505	\$ 176,752	\$ -	
Increased Business Income subject to Corporate Rates	\$ 176,752	\$ 353,505	\$ 530,257	\$ 707,009	\$ 883,762	\$ 1,060,514	\$ 1,237,266	\$ 1,414,019	\$ 1,590,771	\$ 1,767,523		
Statutory Corporate Income Tax Rate ⁵	6.25%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
Additional State Tax Revenue - Payroll Expense Tax at Corporate Rates⁷	\$ 7,070	\$ 14,140	\$ 21,210	\$ 28,280	\$ 35,350	\$ 42,421	\$ 49,491	\$ 56,561	\$ 63,631	\$ 70,701		
Additional Annual State Tax Revenue -- Payroll Expense Tax⁷	\$ 206,349	\$ 412,697	\$ 619,046	\$ 825,395	\$ 1,031,744	\$ 1,238,092	\$ 1,444,441	\$ 1,650,790	\$ 1,857,138	\$ 2,063,487		

Assumptions:

- Earnings Tax Revenue Base as reported in St. Louis City FY 2018 CAFR, Table 9 of Statistical Section. Such amounts are constant throughout the term and are not adjusted to reflect inflation.
- Percentage of Earnings Tax Revenue reported by individuals or business based on FY 2018 Revenue Base as reported at St. Louis City FY 2018 CAFR, Table 9 of Statistical Section.
- Deductions are based on the same proportion of deductions to the earnings tax per the State Auditor November 2010 Note.
- 2018 Individual Income Tax Rate is the adjusted rate per RSMo. § 143.011.1 and 143.011.2. Thereafter, the rate is the rate provided per §143.011.3 without additional adjustments.
- Percentage of Income Tax Returns of Individuals and Corporations based on Missouri DOR Financial and Statistical Report FYE June 20, 2017, Income Tax Summary of Activities.
- 2018 Corporate Tax Rate is per RSMo. §143.071.2 and 2020 and thereafter is based on §143.071.3.
- State Tax Revenue impact will be recognized in the year following the taxation. Summary information accounts for such delay by reporting the impact the year following the calculations above.

**St. Louis City Earnings Tax and Payroll Expense Tax
Summary of Analysis of Increased State Tax Revenue
With One Year Lag for Recognition**

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
I. Earnings Tax - Additional State Revenue	\$ 430,347	\$ 860,693	\$ 1,291,040	\$ 1,721,387	\$ 2,151,733	\$ 2,582,080	\$ 3,012,426	\$ 3,442,773	\$ 3,873,120	\$ 4,303,466
II. Payroll Expense Tax -- Additional State Revenue	\$ 206,349	\$ 412,697	\$ 619,046	\$ 825,395	\$ 1,031,744	\$ 1,238,092	\$ 1,444,441	\$ 1,650,790	\$ 1,857,138	\$ 2,063,487
Total Additional State Tax Revenue (from prior year tax reporting)	\$ 636,695	\$ 1,273,391	\$ 1,910,086	\$ 2,546,781	\$ 3,183,477	\$ 3,820,172	\$ 4,456,867	\$ 5,093,563	\$ 5,730,258	\$ 6,366,954



**St. Louis City and County Property Tax
Analysis of Increased State Tax Revenue
from Reduction of Property Tax**

III.A. ST. LOUIS COUNTY TAX ANALYSIS

	2017-2018		New Rate ³	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Assessed Value Subject to Tax ¹	Rate ²											
Personal Property	\$ 3,087,099,360	0.209%	\$ 6,452,038	0.1045%	\$ 3,226,019	\$ 3,226,019	\$ 3,226,019	\$ 3,226,019	\$ 3,226,019	\$ 3,226,019	\$ 3,226,019	\$ 3,226,019	\$ 3,226,019
Residential Real Estate	\$ 14,563,102,590	0.195%	\$ 28,398,050	0.0975%	\$ 14,199,025	\$ 14,199,025	\$ 14,199,025	\$ 14,199,025	\$ 14,199,025	\$ 14,199,025	\$ 14,199,025	\$ 14,199,025	\$ 14,199,025
Commercial Real Estate	\$ 6,194,038,230	0.198%	\$ 12,264,196	0.0990%	\$ 6,132,098	\$ 6,132,098	\$ 6,132,098	\$ 6,132,098	\$ 6,132,098	\$ 6,132,098	\$ 6,132,098	\$ 6,132,098	\$ 6,132,098
Agricultural Real Estate	\$ 6,484,570	0.157%	\$ 10,181	0.0785%	\$ 5,090	\$ 5,090	\$ 5,090	\$ 5,090	\$ 5,090	\$ 5,090	\$ 5,090	\$ 5,090	\$ 5,090
Total Property Tax			\$ 47,124,464		\$ 23,562,232	\$ 23,562,232	\$ 23,562,232	\$ 23,562,232	\$ 23,562,232	\$ 23,562,232	\$ 23,562,232	\$ 23,562,232	\$ 23,562,232
A. Individual Property Tax													
Individual Percentage of Property Tax			94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%
Individual Property Tax	\$ 44,391,245			\$ 22,195,623	\$ 22,195,623	\$ 22,195,623	\$ 22,195,623	\$ 22,195,623	\$ 22,195,623	\$ 22,195,623	\$ 22,195,623	\$ 22,195,623	\$ 22,195,623
Deduction Rate (per 2008 inf ⁵)		28.06%											
Deductions of Individual Property Tax	\$ 12,456,183			\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092
Increased Individual State Income over 2018 (Decrease in Deductions)				\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092	\$ 6,228,092
Statutory Individual Income Tax Rate ⁶		6.000%		5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Additional State Tax Revenue - Individual Property Tax				\$ 342,545	\$ 342,545	\$ 342,545	\$ 342,545	\$ 342,545	\$ 342,545	\$ 342,545	\$ 342,545	\$ 342,545	\$ 342,545
B. Business Property Tax													
Business Property Tax Percentage ⁸		5.8%											
Business Property Tax	\$ 2,733,219			\$ 1,366,609	\$ 1,366,609	\$ 1,366,609	\$ 1,366,609	\$ 1,366,609	\$ 1,366,609	\$ 1,366,609	\$ 1,366,609	\$ 1,366,609	\$ 1,366,609
1. Business Property Tax Reported by Individuals													
Individual Percent per 2017 Tax Returns Filed in MO		95.35%											
Business Property Tax Reported by Individuals	\$ 2,606,087			\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043
Increase to Individual Income (Decrease in Property Tax Expense, Increased Business Income)				\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043	\$ 1,303,043
Statutory Individual Income Tax Rate ⁶		6.00%		5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Additional State Tax Revenue - Business Property Tax at Individual Rates⁷				\$ 71,667	\$ 71,667	\$ 71,667	\$ 71,667	\$ 71,667	\$ 71,667	\$ 71,667	\$ 71,667	\$ 71,667	\$ 71,667
2. Business Property Tax Reported by Corporations													
Corporate Percent per 2017 Tax Returns Filed in MO		4.65%											
Business Property Tax Reported by Corporations	\$ 127,132			\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566
Increase to Corporate Income (Decrease in Property Tax Expense, Increased Corporate Income)				\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566	\$ 63,566
Statutory Corporate Income Tax Rate ⁸		6.25%		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Additional State Tax Revenue - Business Property Tax at Corporate Rates⁷				\$ 2,543	\$ 2,543	\$ 2,543	\$ 2,543	\$ 2,543	\$ 2,543	\$ 2,543	\$ 2,543	\$ 2,543	\$ 2,543
Total Additional Annual State Tax Revenue - Property T⁷				\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755

Assumptions:

1. Assessed Values per 2017 St. Louis County CAFR, pg 180.
2. St. Louis County 2017 Property Tax Rates General Revenue, Rate Ceilings Appendix VIII Pg 116 of Missouri Auditor 2017 Property Tax Rates.
3. Rate to be effective in 2023 based on a 50% reduction in tax rates.
4. Principal Property Tax Payers are businesses and account for 5.8% of the assessed value per 2017 St. Louis County CAFR, pg. 182. Such percentage is used to segregate the taxes between types of tax payers.
5. Deductions are based on the same proportion of deductions per the State Auditor November 2010 Note.
6. 2017 Individual Income Tax Rate is the adjusted rate per RSMo§143.011.1 and 143.011.2. Thereafter, the rate is the rate provided per §143.011.3 without additional adjustments.
7. State Tax Revenue impact will be recognized in the year following the taxation. Summary information accounts for such delay by reporting the impact the year following the calculations above.
8. Percentage of Income Tax Returns of Individuals and Corporations based on Missouri DOR Financial and Statistical Report FYE June 20, 2017, Income Tax Summary of Activities.
9. 2018 Corporate Tax Rate is per RSMo§143.071.2 and 2020 and thereafter is based on §143.071.3.

Note per STLouis County CAFR -- approximately 5.8% of the assessed value are businesses - p182

**St. Louis City and County Property Tax
Analysis of Increased State Tax Revenue
from Reduction of Property Tax**

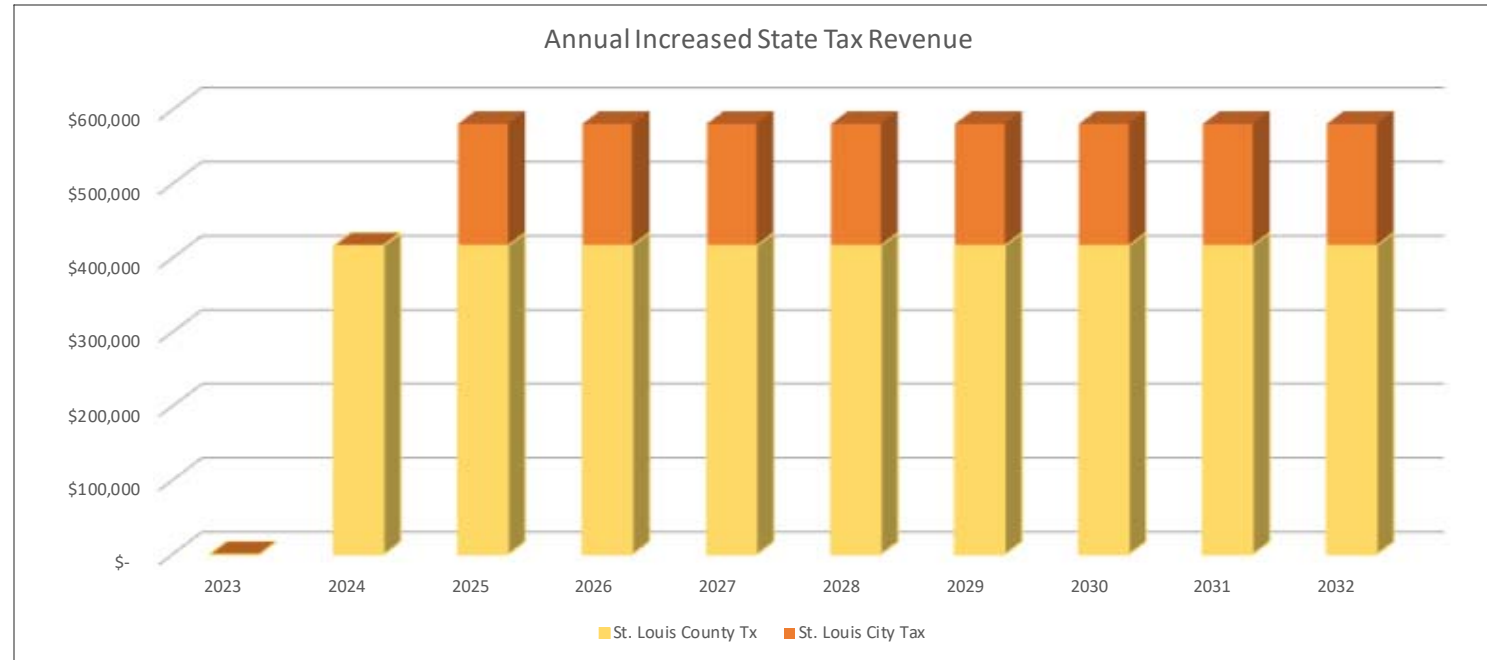
III.B. ST. LOUIS CITY TAX ANALYSIS	2017-2018			Assessed Value Subject to Tax	Rate per County 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Assessed Value Subject to Tax	Rate ¹	Tax			Assessed Value Subject to Tax	2024	2025	2026	2027	2028	2029	2030	2031	2032
Total Property Assessed Value per Auditor Report	\$ 4,115,126,888	0.3429%	\$ 14,110,770												
Personal Property and Manufacturer's machinery, tools & equipment				\$ 989,674,000	0.1045%	\$ 1,034,209.33	\$ 1,034,209.33	\$ 1,034,209.33	\$ 1,034,209.33	\$ 1,034,209.33	\$ 1,034,209.33	\$ 1,034,209.33	\$ 1,034,209.33	\$ 1,034,209.33	\$ 1,034,209.33
Residential Real Estate				\$ 2,243,128,000	0.0975%	\$ 2,187,049.80	\$ 2,187,049.80	\$ 2,187,049.80	\$ 2,187,049.80	\$ 2,187,049.80	\$ 2,187,049.80	\$ 2,187,049.80	\$ 2,187,049.80	\$ 2,187,049.80	\$ 2,187,049.80
Commercial Real Estate				\$ 2,724,759,000	0.0990%	\$ 2,697,511.41	\$ 2,697,511.41	\$ 2,697,511.41	\$ 2,697,511.41	\$ 2,697,511.41	\$ 2,697,511.41	\$ 2,697,511.41	\$ 2,697,511.41	\$ 2,697,511.41	\$ 2,697,511.41
Agricultural Real Estate				\$ -	0.0785%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Property Tax			\$ 14,110,770			\$ 5,918,771	\$ 5,918,771	\$ 5,918,771	\$ 5,918,771	\$ 5,918,771	\$ 5,918,771	\$ 5,918,771	\$ 5,918,771	\$ 5,918,771	\$ 5,918,771
A. Individual Property Tax															
Individual Percentage of Property Tax		88.01%				88.01%	88.01%	88.01%	88.01%	88.01%	88.01%	88.01%	88.01%	88.01%	88.01%
Individual Property Tax	\$ 12,418,889					\$ 5,209,110	\$ 5,209,110	\$ 5,209,110	\$ 5,209,110	\$ 5,209,110	\$ 5,209,110	\$ 5,209,110	\$ 5,209,110	\$ 5,209,110	\$ 5,209,110
Deduction Rate (per 2008 infd)		28.06%													
Deductions of Individual Property Tax	\$ 3,484,740					\$ 1,461,676	\$ 1,461,676	\$ 1,461,676	\$ 1,461,676	\$ 1,461,676	\$ 1,461,676	\$ 1,461,676	\$ 1,461,676	\$ 1,461,676	\$ 1,461,676
Increased Individual State Income over 2018 (Decrease in Deductions)	\$ -					\$ 2,023,064	\$ 2,023,064	\$ 2,023,064	\$ 2,023,064	\$ 2,023,064	\$ 2,023,064	\$ 2,023,064	\$ 2,023,064	\$ 2,023,064	\$ 2,023,064
Statutory Individual Income Tax Rate	6.000%					5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Additional State Tax Revenue - Individual Property Tax	\$ -					\$ 111,269	\$ 111,269	\$ 111,269	\$ 111,269	\$ 111,269	\$ 111,269	\$ 111,269	\$ 111,269	\$ 111,269	\$ 111,269
B. Business Property Tax															
Business Property Tax Percentage	11.99%					11.990%	11.990%	11.990%	11.990%	11.990%	11.990%	11.990%	11.990%	11.990%	11.990%
Business Property Tax	\$ 1,691,881					\$ 709,661	\$ 709,661	\$ 709,661	\$ 709,661	\$ 709,661	\$ 709,661	\$ 709,661	\$ 709,661	\$ 709,661	\$ 709,661
1. Business Property Tax Reported by Individuals															
Individual Percent per 2017 Tax Returns Filed in MO	95.35%														
Business Property Tax Reported by Individuals	\$ 1,613,186					\$ 676,652	\$ 676,652	\$ 676,652	\$ 676,652	\$ 676,652	\$ 676,652	\$ 676,652	\$ 676,652	\$ 676,652	\$ 676,652
Increase to Individual Income (Decrease in Property Tax Expense, Increased Business Income)	\$ -					\$ 936,534	\$ 936,534	\$ 936,534	\$ 936,534	\$ 936,534	\$ 936,534	\$ 936,534	\$ 936,534	\$ 936,534	\$ 936,534
Statutory Individual Income Tax Rate	6.00%					5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Additional State Tax Revenue - Business Property Tax at Individual Rates⁷	\$ -					\$ 51,509	\$ 51,509	\$ 51,509	\$ 51,509	\$ 51,509	\$ 51,509	\$ 51,509	\$ 51,509	\$ 51,509	\$ 51,509
2. Business Property Tax Reported by Corporations															
Corporate Percent per 2017 Tax Returns Filed in MO	4.65%														
Business Property Tax Reported by Corporations	\$ 78,696					\$ 33,009	\$ 33,009	\$ 33,009	\$ 33,009	\$ 33,009	\$ 33,009	\$ 33,009	\$ 33,009	\$ 33,009	\$ 33,009
Increase to Corporate Income (Decrease in Property Tax Expense, Increased Corporate Income)	\$ -					\$ 45,687	\$ 45,687	\$ 45,687	\$ 45,687	\$ 45,687	\$ 45,687	\$ 45,687	\$ 45,687	\$ 45,687	\$ 45,687
Statutory Corporate Income Tax Rate	6.25%					4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Additional State Tax Revenue - Business Property Tax at Corporate Rates⁷	\$ -					\$ 1,827	\$ 1,827	\$ 1,827	\$ 1,827	\$ 1,827	\$ 1,827	\$ 1,827	\$ 1,827	\$ 1,827	\$ 1,827
Total Additional Annual State Tax Revenue - Property T⁷						\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605

Assumptions:

1. St. Louis City 2017 Property Tax Rates and Assessed Values General Revenue, Rate Ceilings Appendix VII Pg 108 of Missouri Auditor 2017 Property Tax Rates.
2. Assessed values of property categories per 2018 St. Louis City CAFR pg. 206.
3. Principal Property Tax Payers are businesses and account for 11.99% of the assessed value per 2018 St. Louis City CAFR pg 208.
4. Deductions are based on the same proportion of deductions per the State Auditor November 2010 Note.
5. 2017 Individual Income Tax Rate is the adjusted rate per RSMo§143.011.1 and 143.011.2. Thereafter, the rate is the rate provided per §143.011.3 without additional adjustments.
6. Percentage of Income Tax Returns of Individuals and Corporations based on Missouri DOR Financial and Statistical Report FYE June 20, 2017, Income Tax Summary of Activities.
7. State Tax Revenue impact will be recognized in the year following the taxation. Summary information accounts for such delay by reporting the impact the year following the calculations above.
8. 2018 Corporate Tax Rate is per RSMo§143.071.2 and 2020 and thereafter is based on §143.071.3.

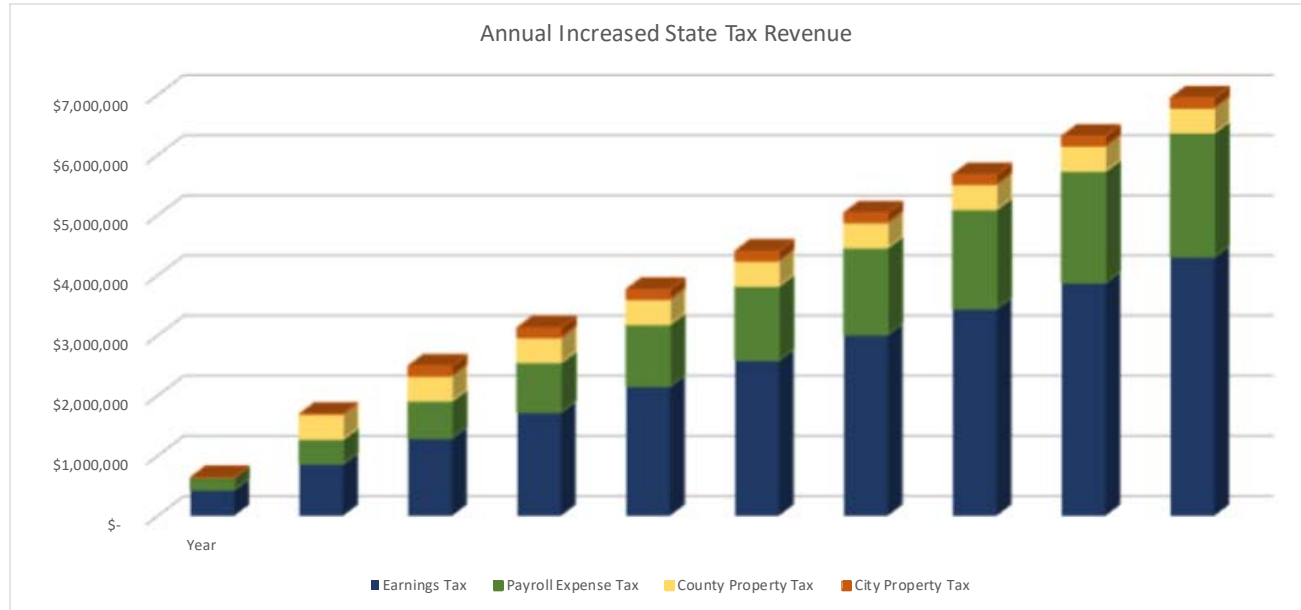
**St. Louis City and County Property Tax
Summary of Analysis of Increased State Tax Revenue
With One Year Lag for Recognition**

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
I. St. Louis County Property Tax -- Additional State Revenue	\$ -	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755
II. St. Louis City Property Tax -- Additional State Revenue	\$ -	\$ -	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605
Total Additional State Tax Revenue	\$ -	\$ 416,755	\$ 581,360	\$ 581,360	\$ 581,360	\$ 581,360	\$ 581,360	\$ 581,360	\$ 581,360	\$ 581,360



**Summary of Analysis of Increased State Tax Revenue
Earnings Tax, Payroll Expense Tax & Property Tax
With One Year Lag for Recognition**

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
I. Earnings Tax - Additional State Revenue	\$ 430,347	\$ 860,693	\$ 1,291,040	\$ 1,721,387	\$ 2,151,733	\$ 2,582,080	\$ 3,012,426	\$ 3,442,773	\$ 3,873,120	\$ 4,303,466	\$ 23,669,065
II. Payroll Expense Tax -- Additional State Revenue	\$ 206,349	\$ 412,697	\$ 619,046	\$ 825,395	\$ 1,031,744	\$ 1,238,092	\$ 1,444,441	\$ 1,650,790	\$ 1,857,138	\$ 2,063,487	\$ 11,349,179
III.A. St. Louis County Property Tax -- Additional State Revenue	\$ -	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 416,755	\$ 3,750,796
III.B. St. Louis City Property Tax -- Additional State Revenue	\$ -	\$ -	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 164,605	\$ 1,316,843
Total Additional State Tax Revenue	\$ 636,695	\$ 1,690,146	\$ 2,491,446	\$ 3,128,142	\$ 3,764,837	\$ 4,401,533	\$ 5,038,228	\$ 5,674,923	\$ 6,311,619	\$ 6,948,314	\$ 40,085,883



**Summary of Analysis of Increased State Tax Revenue
Earnings Tax, Payroll Expense Tax & Property Tax
Historical Data Computation**

ST. Louis City 2018 CAFR Earnings Tax
Earnings Tax Revenue Base

	Business	Individual	Total	Individual Percent	Business Percent
2018 \$	3,787,500	\$ 14,558,200	\$ 18,345,700	79.35%	20.65%

Earnings Tax Revenue Base as reported in St. Louis City FY 2018 CAFR, Table 9 of Statistical Section. Such amounts are constant throughout the term and are not adjusted to reflect inflation.

MO Department of Revenue 2017 Number of Tax Returns

	Number of Returns	Percentage of Total Returns
Individual	3,002,736	95.35%
Corporation	<u>146,482</u>	4.65%
	3,149,218	

Missouri DOR Financial and Statistical Report FYE June 20, 2017, Income Tax Summary of Activities.