

RESOLUTION NUMBER 21

WHEREAS, The St. Louis City 1 percent Earnings Tax has been levied on city residents and workers since the late 1940's and a significant portion of the City's General Revenue is derived from the Earnings Tax; some estimates have been as much as one-third of the city's annual budget, bringing in about three times what property taxes bring in and twice the amount of what sales taxes bring in; and taxes fairly paid by everyone for the benefit of society at large are an important part of a democratic society; and

WHEREAS, In November 2010, Proposition A was passed in the Missouri requiring the City of St. Louis and Kansas City the only two cities in Missouri to have earning taxes, to have the voters in their Cities reauthorized the City's Earning Tax every 5 years; and

WHEREAS, Many of the City of St. Louis Elected Officials have supported the earnings tax as an important part of the City's budget and encouraged the voters of St. Louis to reauthorize the tax; and

WHEREAS, Over the years St. Louis has come up with some creative and some would say unfair way to exempt businesses and others from paying their fair share of the earning taxes, these creative ways included reimbursing and/or diverting earning tax taxes to pay for office equipment and other unknown entities, using earning taxes generated to pay for site developmental cost for several development project including the proposed Geospatial-Intelligence Agency site; and

WHEREAS, In another way to exempt certain people from paying their fair share of earning tax, in September 2000 Board Bill 172 was introduced and in December 2000 this Board of Aldermen passed Board Bill 172 exempting any income received by a person in the form of dividend and any income received by a person in the form of or related to the grant, vesting or exercise of stock options, performance shares or performance-based stock related incentive plans from the city earning tax. The board bill contained an emergency clause and was signed into law by the then Mayor of the City of St. Louis becoming ordinance 65094; and

WHEREAS, The ordinance was passed after Ralston Purina went to court clear up to the Missouri Supreme Court and lost the argument that the City should not apply the earning tax to stock options which are generally given to top executives as a bonus; and

WHEREAS, Board Bill 172 was supported by the RCGA who estimated that the exemption of dividends and stock options would cost the city only about \$350,000, and said estimates were also repeated by several of the co-sponsors in the press and on the floor of the Board of Aldermen as a reason to support the exemption; and

WHEREAS, RCGA'S estimate of the cost to the City of St. Louis to exempt the dividends and stock options was based on what is now known to be several false assumptions and/or omissions of information; and

WHEREAS, On January 24, 2001 Dave Nicklaus of the Post-Dispatch reported that six top Ralston executives were going to cash in \$118 million of stock options and restricted stock when the company was sold to Nestle. Nicklaus reported that if Board Bill 172 had not been passed in December 2000 the City of St. Louis would have picked up \$1.77 million dollars for just those six executives ; and

WHEREAS, It is important to note that both St. Louis and Kansas City have earnings taxes and that Kansas City does not have an exemption of their earning tax on dividends and stock options; and

WHEREAS, For the last 16 years the City has lost millions of dollars by giving an earning tax break to the top executives who make millions of dollars a year, while the minimum wage earner or middle management has to pay the 1 percent earning tax on his or her wages thus effectively taxing those who can least afford it while giving tax breaks to the wealthy; and

WHEREAS, The best way we as members of the Board of Aldermen can assure the voters of this City that everyone is being taxed fairly is to make an inquiry to both the budget director and the assistant collector for the earning tax in the Office of the Collector of Revenue as to the

amount of revenue lost by the exemption of dividends and stock options and if that amount is more than \$350,000 that was reported to the Board it would cost then we should repeal Ordinance 65094 immediately as it was passed on faulty and untrue financial data; and

WHEREAS, We as members of the Board of Aldermen can further assure the voters of the City that everyone is being taxed fairly is to also make inquiries into the practice of allowing business of diverting their earning tax requirements to pay for office improvements and other unknown entities and using earning taxes generated to pay for site developmental cost for several development project and if the practice is found to be a tax exemption for the wealthy while making the working people of our fair City pay the taxes than this Board should repeal all Ordinance or laws that allow such an unfair burden of taxes on those who can least afford it.

NOW THEREFORE IT BE RESOLVED That the St. Louis Board of Aldermen direct the Ways & Means Committee to convene a hearing for the purpose of examining, investigating and gathering information regarding who pays earning taxes, who does not pay earning taxes, what revenue has been lost by the exemption of earning taxes on dividends and stock options since 2000, and what revenue since 2000 has been lost by diverting earning tax requirements to pay for office improvements and other unknown entities, what revenue has been loss using earning taxes generated to pay for site developmental cost for development projects and to have the Ways & Means Committee produce a written fiscal report to be distributed to the members of the Board of Aldermen.

Introduced on the 6th day of May, 2016, by:

The Honorable Sharon Tyus, Alderwoman 1st Ward

Adopted this the _____ day of _____, 2016, as attested by:

Timothy O'Connell
Clerk, Board of Aldermen

Lewis E. Reed
President, Board of Aldermen