

TESTIMONY TO GOVERNOR'S COMMITTEE ON SIMPLE, FAIR AND LOW TAXES

June 7, 2017

Intro:

Good afternoon, it's good to be with you today. My name is Ken McClure and I'm the mayor of Springfield. Thanks for taking the time to hear my comments today in support of the various economic development tools that we use in Springfield to stimulate employment, leverage private investments, incentivize redevelopment of historic properties and increase affordable housing stock for our citizens.

Historic Tax Credits

The historic tax credit program has been essential to the growth and success of downtown Springfield. It is an important redevelopment tool that is helping revitalize cities, towns and rural communities across the state of Missouri.

Most historic structures are located in historic downtowns that serve as a front door to visitors and provide a visual identity for a community.

A vibrant downtown is a significant factor in attracting and retaining young workers. Springfield has seen strong demand for office locations in our

historic downtown from IT firms and other employers with many young professionals in their workforce.

Our city's successes with historic tax credits include the Heer's Building redevelopment, which sat vacant for over 20 years before being redeveloped into market-rate apartments and lofts with first-floor office space occupied by Intrinsiq, a high-tech firm that employs over 70 full-time staff with salaries well above the Greene County average wage.

Brick City is another transformational HTC project, which converted a cluster of century-old industrial facilities that once included an icehouse, a boiler building, and various artifacts of the pre-war industrial era into modern offices occupied by marketing and tech firms, and classroom space for the Missouri State University Art & Design program.

Housing Tax Credits

The City of Springfield is highly engaged and supportive of all efforts to improve the housing stock within our City, especially in our most impoverished area – the northwest quadrant of the city.

For the past 18 months, the City has been engaged in an initiative called Zone Blitz, to create a sustained system for lifting people out of poverty.

The initiative grew from findings that negative data indicators such as crime, illness and poverty were more concentrated in Zone 1, while positive indicators such as food and play space access were lacking. City leaders looked back at five to 10 years' worth of data and saw this was more than a snapshot in time.

The data shows the need is real. Thus, we are asking that the State retain the existing housing tax credits, and even search for creative ways to help all communities improve their housing stock. I suspect this is a need in every Missouri community.

Missouri Works

Next, I'd like to talk with you about Missouri Works. The Missouri Department of Economic Development calls Missouri Works its number 1 incentive tool for expansion and retention. Missouri Works helps businesses access capital through withholdings or tax credits to embark on facility expansions and create jobs.

Our community worked for over 8 years to convince 3M to expand in Springfield instead of one of their other locations. It wasn't the only thing that made a difference, but part of our offering to 3M was \$5 million of local tax abatement, and \$1.6 million in tax credits through Missouri Works. This

program is an effective tool for us to win economic development projects. In fact, we've used it in the last 18 months to convince not only 3M, but also Kraft Heinz, O'Reilly Auto Parts, SRC Logistics, JRI Industries, Vital Farms, and Asynchrony Labs that Springfield and Missouri were the right decisions instead of taking those jobs and that investment elsewhere.

Streamlined Sales Tax and Internet Sales Tax: Leveling the Retail Playing Field

Another issue I'd like this committee to consider is the unfair playing field on which brick-and-mortar retailers find themselves in Missouri. As you know, online retailers don't have to pay taxes on sales to Missourians if they don't have a physical presence in Missouri. This puts our state's brick-and-mortar businesses at risk.

We are feeling that impact locally. Retailers are closing – some national chains; some local businesses. Just within the past few months, Staples, MC Sports, and two Kmart stores have closed their brick-and-mortar stores in Springfield. And those jobs have been lost. We strongly suspect these closures are at least partially related to the difficulty brick-and-mortar retailers are experiencing while trying to compete with online retailers.

What all of this means to the citizens of Springfield is that not everyone is paying their fair share, and that could result in reductions in services such as police, fire, public works, economic development, and our ability to address dangerous buildings and other issues within neighborhoods. These are services that are valued by our citizens.

Please don't misunderstand our concern about the unfair playing field to mean we are against online retail. Online retail is a tremendously powerful business model with high levels of convenience. We just feel online retailers should contribute to our "community good" in the same way brick-and-mortar retailers do. Missouri's tax laws have failed to keep pace with our changing economy. Our brick-and-mortar retailers are at a competitive disadvantage.

We know that you, too, are feeling this same impact at the state level, and we are sympathetic. It's not about the revenue; it's about the services the revenue provides to our citizens. A University of Missouri study estimated that Missouri missed out on over \$350 million in state and local tax revenue in 2014.

So what can be done to level the playing field? As it turns out, there is both a short- and a long-term option.

The short-term option is for the state to adopt the Streamlined Sales Tax, just as 24 other states have done. In fact, of the eight states that touch Missouri's border, seven of them have implemented the Streamlined Sales Tax in some form.

Streamlined Sales Tax is not a new tax; it is a collection mechanism for an existing tax. It creates an easy way for remote sellers to calculate and collect the taxes that are due on their products, and it moves the responsibility for use tax collection for remote sales to the retailers instead of the consumer.

But this still leaves participation by the retailer as voluntary, and is not the long-term solution.

The long-term solution is to enact companion federal legislation, known as the Marketplace Fairness Act. In addition to state action, federal action is required to make the collection of state and local sales tax by online retailers mandatory. That's why we are encouraging our state leaders to join other states by approving the Streamlined Sales Tax provisions.

Must we, as a state, allow the pendulum to swing so far into the "unfair" column before we act to level the playing field? How many brick-and-mortar retailers must close before we take action? How many local jobs must be lost?

The City of Springfield does not have authority to implement a Streamlined Sales Tax or the Marketplace Fairness Act. We must rely on our state and federal governments for these actions. Thus, on behalf of Springfield City Council, I am asking the state to take action now.

On behalf of our citizens who want quality services, on behalf of our police officers, on behalf of our fire fighters, we ask that you not put us in a position of having to reduce those services due to any unwillingness to treat brick-and-mortar retailers fairly.

Closing

Thank you affording me the opportunity to speak on behalf of the City of Springfield today. My colleagues on City Council and I are committed to increasing our personal engagement in the state legislative process and providing helpful input and support to our state delegation. We know our legislators have a difficult job and must weigh countless priorities. We want to be supportive and helpful.