



Cape Officials Consider Very Bad Idea ...

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By: David Stokes

As reported in the *Southeast Missourian*, city officials in Cape Girardeau are [considering instituting](#) some type of earnings or payroll tax. This is a very poor idea, unless their goal is to make Jackson more successful. If you want evidence of why this is a poor idea, I present a study done by the Show-Me Institute's very own eminent economist and all-around great guy, Dr. Joe Haslag, [on this exact topic](#) .

From the *Missourian* article:

Councilwoman Loretta Schneider said the council could ask the legislature to change the law if it turns out that a payroll tax proves to be a viable option.

"There certainly isn't any harm in us pursuing it," she said.

Wrong. Right now, business owners considering moving to Cape or expanding in the area could be reading this article and giving surrounding communities further thought. That is the main problem with taxing something as fluid as income. It can move more easily than

property.

Cape Girardeau has a low property tax. The city council has been reluctant to consider raising that tax.

I am certainly not going to say Cape should raise their property tax. Their budget issues, like just about every municipality's, are almost certainly about growth in payroll and benefits for city employees. Their first choice should be to cut employees or programs. I never cease to be amazed at the number of things government people think are essential but really aren't. Rearyard trash pick-up in Ladue and Clayton, to pick but one example. But if the people of Cape Girardeau, who know much more about their own city than I do, insist on raising taxes, an increase in the property tax would be a much better way to go. There are [good state programs](#) available to help the senior citizens that might be disproportionately hurt.

The Mayor of Cape Girardeau uses a common, but erroneous, argument for the payroll tax targeted toward commuters.

"They come in, they use our roads, our infrastructure. They use things that Cape citizens paid for, then they leave," he said.

Where to begin? First of all, commuters generally pay sales taxes wherever they work for lunch, happy hours, gasoline, shopping, etc. The businesses they work for pay commercial property taxes and business license fees in order to have the right to have someone come into Cape to work. The idea that commuters get a free ride on local taxpayers is absurd. You hear it all the time from city residents justifying it for St. Louis. They never even consider the very large numbers of city residents who work in St. Louis County and pay no earnings tax there, even though they still have to pay it to the city. Are city residents who work in Clayton getting a free ride from Clayton? I don't think Clayton feels that way ☐ and that is one of the many reasons why Clayton has been so successful.

About the Author



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David Stokes was a policy analyst at the Show-Me Institute from 2007 to 2014 and was director of development from 2014 to 2016.

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