



## Agenda

### Finance, Governance and Public Safety Committee

Katheryn Shields, Chair  
Heather Hall, Vice Chair  
Ryana Parks-Shaw  
Melissa Robinson  
Lee Barnes  
Kevin McManus

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Wednesday, March 1, 2023

10:30 AM

26th Floor, Council Chamber

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<https://us02web.zoom.us/j/84530222968>

#### PUBLIC OBSERVANCE OF MEETINGS

Members of the City Council may attend this meeting via videoconference.

Any closed session may be held via teleconference.

The public can observe this meeting at the links provided below.

Applicants and citizens wishing to participate have the option of attending each meeting or they may do so through the videoconference platform ZOOM, using this link:

<https://us02web.zoom.us/j/84530222968>

#### Director of the Law Department

[230147](#)

Sponsor: Director of the Law Department

Approving and authorizing settlement of a claim for a workers' compensation benefit filed by Phillip Marshall (No. 21-085673) for injuries resulting from an accident on November 23, 2021, while employed by the City.

**Attachments:** [docket memo-marshall](#)

#### Director of the Law Department

[230162](#)

Sponsor: Director of the Law Department

Approving and authorizing settlement of lawsuit entitled Inez Clifton v. City of Kansas City, Missouri, Case No. 2116-CV03567, in the amount of \$175,000.00.

**Attachments:** [docket memo-clifton](#)

**Director of the Law Department**

[230170](#) Sponsor: Director of the Law Department

Approving and authorizing settlement of lawsuit entitled Kathy Arnold v. City of Kansas City, Case No. 2016-CV16157, in the amount of \$125,000.00.

**Attachments:** [docket memo-arnold](#)

**Lucas**

[230157](#) Sponsor: Mayor Quinton Lucas

Amending Chapter 2, Code of Ordinances, by repealing Section 2-1954 relating to the City's fund balance and reserve policy and enacting in lieu thereof one new section of like number and subject to modify the required funding floor and ceiling, respectively, of the emergency reserve funds and countercyclical reserve funds of the general fund and amending permissible uses for unassigned general fund balance.

**Bough and Lucas**

[230158](#) Sponsor(s): Mayor Quinton Lucas and Councilmember Andrea Bough

Amending Chapter 68, Article VI, Code of Ordinances, by repealing Section 68-393 entitled "Refunds" and enacting in lieu thereof a new section of like number and subject matter; and repealing Earnings and Profits Tax Regulations Sections 1.381 through 1.402 and approving in lieu thereof new Earnings and Profits Regulations Sections 1.381 through 1.402 related to the same subject matter.

**Attachments:** [Exhibit A - Earnings Tax Regulations - February 2023 Update](#)  
[Docket Memo Refund Ordinance Feb 27 2023](#)  
[230158 - Earnings Tax Refunds](#)

**Lucas**

[230159](#) Sponsor: Mayor Quinton Lucas

Expressing the City Council's intent on allowable uses of potential revenues from a proposed three percent (3%) adult use marijuana sales tax

**Attachments:** [Docket Memo 230159](#)

**Parks-Shaw, Lucas, Fowler, Robinson, Bunch, Bough, O'Neill, Ellington, Barnes Jr. and  
McManus**

**230160** Sponsor: Councilmember Ryana Parks-Shaw

Waiving the limitations established by the Fund Balance and Reserve Policy in section 2-1954 of the Code of Ordinances; establishing Fund No. 2000, the Violence Prevention and Intervention Fund on the books of the City; appropriating \$30,000,000.00 from the Unappropriated Fund Balance of the General Fund; estimating revenue in the amount of \$30,000,000.00 in the Violence Prevention and Intervention Fund; appropriating \$30,000,000.00 from the Unappropriated Fund Balance of the Violence Prevention and Intervention Fund; establishing that the City's Health Commission shall advise and make recommendations to the Mayor and Council regarding the use of the Blueprint for Violence Prevention Fund; and recognizing this ordinance as having an accelerated effective date.

**Attachments:** [Ordinance 230160 Docket Memo](#)  
[Approp Admin - Ordinance 230160](#)  
[Approp Admin Rev - Ordinance 230160](#)

**Director of Finance**

**230171** Sponsor: Director of the Finance Department

Levying taxes for Fiscal Year 2023-24 for the General Revenue, Health, General Debt and Interest, and Museum Special Revenue Funds on all property in Kansas City subject to taxation on January 1, 2023; providing for the extension of such levies by the Director of Finance; and authorizing the collection by the Director of Finance.

**Attachments:** [Docket Memo Property Tax Levy Rates FY24](#)

**Director of Finance**

**230172** Sponsor: Director of the Finance Department

Setting the rates for the trafficway maintenance tax, the park and boulevard maintenance tax, and the boulevards and parkways front foot assessment at \$0.00 for Fiscal Year 2023-24 in accordance with Section 68-582 of the Code of Ordinances

**Attachments:** [Docket Memo Park and Boulevard Assessments FY24](#)

**Director of Finance**

[230173](#) Sponsor: Director of the Finance Department

Amending Chapter 78, Code of Ordinances, entitled "Water" by repealing Sections 78-6, 78-8, 78-10, and enacting in lieu thereof new sections of like number and subject matter that adjust charges for water service; and establishing an effective date.

**Attachments:** [FY2024 Water Rate Ordinance Docket Memo DRAFT 02-10-2023.pdf 230173com](#)

**Director of Finance**

[230174](#) Sponsor: Director of the Finance Department

Amending Chapter 60, Code of Ordinances, entitled Sewers and Sewage Disposal, by repealing Sections 60-2 and 60-3 and enacting in lieu thereof new sections of like number and subject matter that adjust charges for sewer service; and establishing an effective date.

**Attachments:** [FY2024 Sewer Rate Ordinance Docket Memo DRAFT 02-10-2023.pdf 230174com](#)

**Director of Finance**

[230175](#) Sponsor: Director of the Finance Department

Adopting the Annual Budget of the City for the Fiscal Year 2023-24; estimating the revenues for the fiscal year; appropriating for the purposes stated the sums set forth in the budget; directing the Director of Finance to make the necessary entries upon the City's records to show the appropriations and allocations provided for; authorizing inter-fund loans; and electing to establish a budget adoption deadline pursuant to Section 805(i) of the City Charter.

**Attachments:** [Docket Memo FY24 Submitted Budget](#)



**Director of Finance**

[230176](#)

Sponsor: Director of the Finance Department

Establishing Fund No. 3524, the General Obligation Series 2024A Question 1 Bond Fund in the records of the City of Kansas City, Missouri; estimating and appropriating \$31,310,000.00 from the Unappropriated Fund Balance of the General Obligation Series 2024A Question 1 Bond Fund; establishing Fund No. 3624, the General Obligation Series 2024A Question 2 Bond Fund in the records of the City of Kansas City, Missouri; estimating and appropriating \$5,937,898.00 from the Unappropriated Fund Balance of the General Obligation Series 2024A Question 2 Bond Fund; establishing Fund No. 3724, the General Obligation Series 2024A Question 3 Bond Fund in the records of the City of Kansas City, Missouri; estimating and appropriating \$2,525,000.00 from the Unappropriated Fund Balance of the General Obligation Series 2024A Question 3 Bond Fund; designating requisitioning authorities; declaring the intent of the City to reimburse itself from the bond proceeds for certain expenditures; authorizing the Director of Finance to close project accounts; and establishing the effective date of this ordinance.

**Attachments:** [FY24 bond issuance docket memo](#)

**Director of Finance**

[230184](#)

Sponsor: Director of the Finance Department

Establishing Fund No. 3823, the General Obligation Series Bond Series 2023A Q1-22 Projects Fund in the records of the City of Kansas City; estimating revenues in the amount of \$40,600,000.00 in Fund No. 3823, the General Obligation Series Bond Series 2023A Q1-22 Projects Fund and appropriating the same; designating requisitioning authorities; authorizing the Director of Finance to modify revenue estimates and appropriations as required and to close project accounts upon completion.

**Attachments:** [Docket Memo GO2023 Adv Approp Ord](#)  
[Accounting Forms for GO 2023 Approp Ord](#)  
[GO Series 2023 Appropriation Ordinance 230184 FINAL](#)  
[GO Series 2023 Appropriation Ordinance 230184 FINAL~](#)

HELD IN COMMITTEE

**Parks-Shaw, Robinson, Lucas, Bough, Barnes Jr., McManus, Fowler, O'Neill, Bunch  
and Ellington**

**230129**

Sponsor: Councilmember Ryana Parks-Shaw

RESOLUTION - Directing the City Manager to present a funding plan that will result in the City contributing \$30 million from Unappropriated Fund Balance for the purpose of funding the local strategies outlined in the Blueprint for Violence Prevention and Healthy Communities and directing the City Manager to present the funding plan to Council before or at the same time as the presentation of the annual budget, if possible, but in no event any later than 24 hours prior to the first public budget meeting.

**Attachments:** [Docket Memo 230129](#)  
[Resolution 230129](#)  
[Blueprint Res 230129 presentation](#)

ADDITIONAL BUSINESS

1. There may be a general discussion regarding current Finance, Governance, and Public Safety issues

2. Those who wish to comment on proposed ordinances can provide testimony to [public.testimony@kcmo.org](mailto:public.testimony@kcmo.org). Comments received will be distributed to the committee and added to the public record by the clerk. The city provides several ways for residents to watch City Council meetings:

- Livestream on the city's website at [www.kcmo.gov](http://www.kcmo.gov)
- Livestream on the city's YouTube channel at:

<https://www.youtube.com/watch?v=3hOublg4fok>

Watch Channel 2 on your cable system. The channel is available through Time Warner Cable (channel 2 or 98.2), AT&T U-verse (channel 99, then select Kansas City), and Google Fiber on Channel 142.

- To watch archived meetings, visit the City Clerk's website and look in the Video on Demand section:

[http://kansascity.granicus.com/ViewPublisher.php?view\\_id=2](http://kansascity.granicus.com/ViewPublisher.php?view_id=2)

#### Closed Session

Pursuant to Section 610.021 subsection 1 of the Revised Statutes of Missouri to discuss legal matters, litigation, or privileged communications with attorneys;

- Pursuant to Section 610.021 subsection 2 of the Revised Statutes of Missouri to discuss real estate;
- Pursuant to Section 610.021 subsections 3 and 13 of the Revised Statutes of Missouri to discuss personnel matters;
- Pursuant to Section 610.021 subsection 9 of the Revised Statutes of Missouri to discuss employee labor negotiations;
- Pursuant to Section 610.021 subsection 11 of the Revised Statutes of Missouri to discuss specifications for competitive bidding;
- Pursuant to Section 610.021 subsection 12 of the Revised Statutes of Missouri to discuss sealed bids or proposals; or
- Pursuant to Section 610.021 subsection 17 of the Revised Statutes of Missouri to discuss confidential or privileged communications with the auditor

The City Clerk's Office now has equipment for the hearing impaired for every meeting. To check out the equipment, please take a look at each committee's secretary. Be prepared to leave your Driver's License or State issued Identification Card with the secretary, and she / He will give you the equipment. The City Clerk's Office will return your license upon returning the equipment.

Adjournment



**File #: 230147**

ORDINANCE NO. 230147

Sponsor: Director of the Law Department

Approving and authorizing settlement of a claim for a workers' compensation benefit filed by Phillip Marshall (No. 21-085673) for injuries resulting from an accident on November 23, 2021, while employed by the City.

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That settlement of the claim of Phillip Marshall for Workers' Compensation benefits against the City of Kansas City, Missouri, for any and all injuries resulting from an accident while employed by the City, as more fully set forth and subject of a formal claim, Case No. 21-085673, presently pending before the Division of Workers' Compensation of the State of Missouri, by payment to Phillip Marshall of the sum of \$62,936.12, as recommended by the City Attorney and Risk Management Committee, is hereby approved.

Section 2. That the City Attorney is hereby authorized to pay the sum of \$62,936.12, in settlement of said claim from funds heretofore appropriated in Account No. 23-7020-071402-B-610400.

..end

I hereby certify that there is a balance, otherwise unencumbered, to the credit of the appropriation to which the foregoing expenditure is to be charged, and a cash balance, otherwise unencumbered, in the treasury, to the credit of the fund from which payment is to be made, each sufficient to meet the obligation hereby incurred.

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Tammy L. Queen  
Director of Finance

Approved as to form:

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Ann K. Booton

Associate City Attorney



# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Law

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

To seek City Council approval and authorization of \$62,936.12 for the settlement of a Workers' Compensation claim asserted by Phillip Marshall in Claim No. 21-085673.

### Discussion

This ordinance will approve the settlement of a Workers' Compensation Claim asserted by Phillip Marshall related to an incident on November 23, 2021 while employed by the Fire Department. The Law Department and Risk Management Committee recommend a settlement of \$62,936.12.

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

7020-071402-610400

3. How does the legislation affect the current fiscal year?

The current fiscal year will experience a reduction in funds for the settlement amount as described above.

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

No.

5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

No.



# City of Kansas City, Missouri

## Docket Memo

### Budget Review

(Staff will complete this section.)

- 1. This legislation is supported by the general fund.  Yes  No
- 2. This fund has a structural imbalance.  Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

### Citywide Business Plan Impact

Finance and Governance.

### Prior Legislation

None.

### Service Level Impacts

The ordinance should not impact service levels.

### Other Impacts

- 1. What will be the potential health impacts to any affected groups?

None.

- 2. How have those groups been engaged and involved in the development of this ordinance?

Not applicable.

- 3. How does this legislation contribute to a sustainable Kansas City?

This ordinance would have no impact on sustainability.

- 4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the City Charter (Chapter 38, titled "Civil Rights")?

No- such requirements do not apply.





# City of Kansas City, Missouri

## Docket Memo

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the City Charter (Chapter 3, titled "Contracts and Leases")?

No- such requirements do not apply.



**File #: 230162**

ORDINANCE NO. 230162

Sponsor: Director of the Law Department

Approving and authorizing settlement of lawsuit entitled *Inez Clifton v. City of Kansas City, Missouri*, Case No. 2116-CV03567, in the amount of \$175,000.00.

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That the sum of \$175,000.00 is appropriated from the Unappropriated Fund Balance of the Water Services Fund to the following account:

23-8010-801000-618450	Settlement of Legal Claims	\$175,000.00
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Section 2. That the revenue in the following account of the City Legal Expense Fund is hereby increased in the following amount:

23-7010-131543-485760	Public Official Liability	\$175,000.00
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Section 3. That the sum of \$175,000.00 is appropriated from the Unappropriated Fund Balance of the City Legal Expense Fund to the following account:

23-7010-131543-618200	Public Official Liability	\$175,000.00
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Section 4. That the payment of the sum of \$175,000.00 in settlement of the lawsuit styled *Inez Clifton v. City of Kansas City, Missouri*, Case No. 2116-CV03567, as recommended by the City Attorney and the Risk Management Committee, is hereby approved.

Section 5. That the City Attorney is hereby authorized to pay the sum of \$175,000.00 in settlement of said claims in this lawsuit from funds previously appropriated in Account No. 23-7010-131543-B.

..end

I hereby certify that there is a balance, otherwise unencumbered, to the credit of the appropriation to which the foregoing expenditure is to be charged, and a cash balance, otherwise unencumbered, in the treasury, to the credit of the fund from which payment is to be made, each sufficient to meet the obligation hereby incurred.

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Tammy L. Queen  
Director of Finance

Approved as to form:

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Tara M. Kelly  
Senior Associate City Attorney



# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Law

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

Approving a settlement of \$175,000.00 for Inez Clifton v. City of Kansas City, Case No. 2116-CV03567.

### Discussion

Plaintiff brought a lawsuit claiming race and gender discrimination and hostile work environment. The proposed settlement resolves all liability, damages, and attorneys' fees.

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

7010-131543-B-618200

3. How does the legislation affect the current fiscal year?

Decreases available funds by \$175,000.00.

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

No.

5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

No.

### Office of Management and Budget Review

(OMB Staff will complete this section.)

1. This legislation is supported by the general fund.  Yes  No



# City of Kansas City, Missouri

## Docket Memo

2. This fund has a structural imbalance.

Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

### Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Finance and Governance (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Reform the City's economic incentives to meet the policy objectives of the City Council
- Ensure the resiliency of City government
- Engage in workforce planning including employee recruitment, development, retention, and engagement
- Ensure a responsive, representative, engaged, and transparent City government
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### Prior Legislation

None.

### Service Level Impacts

None.

### Other Impacts

1. What will be the potential health impacts to any affected groups?

None.

2. How have those groups been engaged and involved in the development of this ordinance?



# City of Kansas City, Missouri

## Docket Memo

Not applicable.

3. How does this legislation contribute to a sustainable Kansas City?

Not applicable.

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

No.

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

Not applicable.



**File #:** 230170

ORDINANCE NO. 230170

Sponsor: Director of the Law Department

Approving and authorizing settlement of lawsuit entitled *Kathy Arnold v. City of Kansas City*, Case No. 2016-CV16157, in the amount of \$125,000.00.

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That the sum of \$125,000.00 is appropriated from the Unappropriated Fund Balance of the Water Services Fund to the following account:

23-8010-801000-618450	Settlement of Legal Claims	\$125,000.00
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Section 2. That the revenue in the following account of the City Legal Expense Fund is hereby increased in the following amount:

23-7010-131543-485760	Public Official Liability	\$125,000.00
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Section 3. That the sum of \$125,000.00 is appropriated from the Unappropriated Fund Balance of the City Legal Expense Fund to the following account:

23-7010-131543-618200	Public Official Liability	\$125,000.00
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Section 4. That the payment of the sum of \$125,000.00 in settlement of the lawsuit styled *Kathy Arnold v. City of Kansas City, Missouri*, Case No. 2016-CV16157, as recommended by the City Attorney and the Risk Management Committee, is hereby approved.

Section 5. That the City Attorney is hereby authorized to pay the sum of \$125,000.00 in settlement of said claims in this lawsuit from funds previously appropriated charge in Account No. 23-7010-131543-B.

..end

I hereby certify that there is a balance, otherwise unencumbered, to the credit of the appropriation to which the foregoing expenditure is to be charged, and a cash balance, otherwise unencumbered, in the treasury, to the credit of the fund from which payment is to be made, each sufficient to meet the obligation hereby incurred.

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Tammy L. Queen  
Director of Finance

Approved as to form:

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James A. Newell  
Assistant City Attorney





# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Law

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

Approving a settlement of \$125,000 for Arnold v. City of Kansas City, Case No. 2016-CV16157

### Discussion

Plaintiff brought a lawsuit claiming sex discrimination, retaliation, and hostile work environment. The proposed settlement resolves all liability, damages, and attorney’s fees.

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

City Legal Expense Fund – Fund 7010

3. How does the legislation affect the current fiscal year?

Decreases available funds by \$125,000.00.

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

No.

5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

No.

### Office of Management and Budget Review

(OMB Staff will complete this section.)

1. This legislation is supported by the general fund.  Yes  No



# City of Kansas City, Missouri

## Docket Memo

2. This fund has a structural imbalance.

Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

### Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Finance and Governance (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Reform the City's economic incentives to meet the policy objectives of the City Council
- Ensure the resiliency of City government
- Engage in workforce planning including employee recruitment, development, retention, and engagement
- Ensure a responsive, representative, engaged, and transparent City government
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### Prior Legislation

None.

### Service Level Impacts

None.

### Other Impacts

1. What will be the potential health impacts to any affected groups?

None.

2. How have those groups been engaged and involved in the development of this ordinance?



# City of Kansas City, Missouri

## Docket Memo

Not applicable.

3. How does this legislation contribute to a sustainable Kansas City?

Not applicable.

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

No.

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

Not applicable.



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**File #: 230157**

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ORDINANCE NO. 230157

Sponsor: Mayor Quinton Lucas

Amending Chapter 2, Code of Ordinances, by repealing Section 2-1954 relating to the City's fund balance and reserve policy and enacting in lieu thereof one new section of like number and subject to modify the required funding floor and ceiling, respectively, of the emergency reserve funds and countercyclical reserve funds of the general fund and amending permissible uses for unassigned general fund balance.

WHEREAS, the City has a thorough annual budget process, including quarterly budget analysis, and five-year business planning cycle during which Council, City staff, and residents have the opportunity to shape how the City spends taxpayer resources; and

WHEREAS, the City currently has a structural imbalance driven by expenditure growth exceeding revenue growth in the General Fund; and

WHEREAS, the City Council desires to maintain a prudent level of financial reserves to guard its citizens against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures, such as those seen in 2020 and 2021; and

WHEREAS, maintaining a strong fund balance can be critical in weathering an economic downturn, emergency capital repairs, or volatile revenue or unexpected expenditure; and

WHEREAS, fund balance is a focal point of credit rating agencies and investors; when governments maintain more fund balance, they are viewed more favorably and can achieve lower borrowing costs; and

WHEREAS, the Government Finance Officers Association (GFOA) recommends, at a minimum, no less than two months of regular general fund operating revenues or regular general fund operating expenditures for reserves; and

WHEREAS, the Moody's Investors Service recommends a fund balance between fifteen (15) percent and thirty (30) percent of revenues (or 16.67%); and

WHEREAS, credit rating agencies generally regularly assign thirty (30) percent of credit rating methodology to the financial performance of a municipality which includes the amount within the fund balance; and

WHEREAS, the City Council desires to promulgate a fiscally prudent emergency reserve, countercyclical reserve fund, and unassigned general fund balances exceeding the minimum standards directed by GFOA and credit rating agencies to ensure the City's ongoing ability to meet future fiscal challenges; NOW, THEREFORE,

**BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:**

Section 1. That Chapter 2, Code of Ordinances of the City of Kansas City, Missouri, is hereby amended by repealing Section 2-1954 relating to the City's fund balance and reserve policy and enacting in lieu thereof one new section of like number and subject, to read as follows:

**Sec. 2-1954. Fund balance and reserve policy.**

(a) *Policy.*

- (1) It is the policy of the city to maintain its various fund balances and financial reserves at levels sufficient to pay obligations when due, address emergencies, cover temporary revenue shortfalls, provide stability throughout economic cycles and to protect the city's creditworthiness in accordance with applicable federal, state and local laws, and established best governmental practices.
- (2) The city's fund balance and reserve policy is the city's official guideline for use by city staff in conjunction with the city's budgeting and financial planning efforts. The policy shall be reviewed on an annual basis by the director of finance and any modifications made thereto must be approved by the city council.

(b) *Authority.* Under the authority granted by the state Constitution and the city Charter, the city council is authorized to direct the financial affairs of the city. It is the city council's intent to responsibly use this authority in order to fulfill the service objectives of the city and its agencies. Management responsibility for the city's fund balances is hereby delegated to the director of finance.

(c) *Scope.* This fund balance and reserve policy shall be inclusive of all funds of the city. The policy incorporates recommended best practices of the Government Finance Officers Association (GFOA) and Governmental Accounting Standards Board (GASB), as amended over time.

(d) *Objectives.*

- (1) To establish appropriate fund balance and/or reserve levels for each fund or fund type, after accounting for the "nonspendable" portions of the respective funds.
- (2) To set guidelines for each fund or fund type's fund balance and/or reserve levels.
- (3) To determine procedures for replenishment of fund balances or reserves if drawn below recommended levels, if necessary.
- (4) To establish financial reporting guidelines for amounts designated as fund balances and/or reserves.

(e) *Glossary.*

- (1) *Assigned fund balance.* Amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed will be classified as "Assigned" fund balance. The intent will be identified by a city official to whom the governing body has delegated the authority to assign amounts for specific purposes.
  - (2) *Committed fund balance.* Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action of the city council will be classified as "Committed" fund balance.
  - (3) *Nonspendable fund balance.* Amounts that cannot be spent because they are not in spendable form (e.g. inventories, receivables, advances, etc.) or are legally and/or contractually required to be maintained intact will be classified as "Nonspendable" fund balance.
  - (4) *Restricted fund balance.* Amounts that are bound by externally imposed restrictions by creditors, grantors, contributors, laws or regulations of other governments or through constitutional provisions or enabling legislation will be classified as "Restricted" fund balance.
  - (5) *Unassigned fund balance.* Represents the remaining amount of fund balance which has not been classified as non-spendable, restricted, committed or assigned.
- (f) *Guidelines.*
- (1) *General fund.* The general fund is the main operating fund of the city and accounts for all financial transactions not accounted for in other funds. The general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are financed through revenues received by the general fund.
    - a. *Committed general fund balance.* The committed general fund balance will include the following amounts:
      1. Encumbrances. Those encumbrances imposed by ordinance of the city council.
      2. Re-appropriations of unexpended and unencumbered appropriations and the re-estimation of uncollected revenues as authorized by ordinance of the city council.
      3. Emergency reserve (floor). The emergency reserve portion of committed fund balance shall not be less than two months of general fund operating expenditures.

4. The emergency reserve is available to address one-time operational emergencies, unexpected revenue reductions and/or unanticipated expenditure requirements occurring within a fiscal year. Funds may be withdrawn from this emergency reserve when an emergency has been recognized by ordinance prior to fiscal year end, the fund's budgeted contingency is exhausted, the countercyclical reserve has been exhausted, and the withdrawal is needed to prevent the fund from ending the fiscal year with a negative unassigned fund balance. An ordinance appropriating funds from the emergency reserve shall include language stating the city council is waiving the fund balance and reserve policy for a use of the emergency reserve.
- b. *Assigned general fund balance.* The assigned fund balance will include the following amounts:
1. *Encumbrances.* Those encumbrances authorized by department directors or the manager of procurement services.
  2. *Countercyclical reserve (ceiling).* The countercyclical reserve, when combined with the emergency reserve, shall not be greater than three months of general fund operating expenditures.
    - (i) The countercyclical reserve may be established by the director of finance in the maximum amount described above for varying purposes including, but not limited to: reserves for tax increment financing, debt service stabilization, interest rate risk, capital maintenance, swap termination payments, legal claims, and disaster recovery.
    - (ii) The director of finance may authorize the use of the countercyclical reserve when the withdrawal is needed to prevent the fund from ending the fiscal year with a negative unassigned fund balance.
  3. *Unassigned general fund balance.* Any amount in excess of the non-spendable, restricted, committed and assigned portions of fund balance is by definition unassigned general fund balance. If necessary, all or a portion of unassigned fund balance may only be appropriated in the following fiscal year's budget or in connection with the quarterly budget analysis process pursuant to Section 2-1956 of the Code of Ordinances of Kansas City, Missouri unless there is a commensurate revenue increase or decrease in another general fund obligation or a state of emergency is declared pursuant to Section 50-155 of the Code of Ordinances of the City

of Kansas City, Missouri. Uses of unassigned general fund balance are limited to the following:

- (i) Prepayment of principal and interest on city debt or contributions designed to reduce long-term liabilities (e.g. pension);
- (ii) Offsets to temporary revenue reductions from local, state, and federal sources;
- (iii) One-time expenditures that do not increase recurring operating costs;
- (iv) Establishment of or increase in assigned reserves; or
- (v) Start-up expenditures for new programs provided there is an identified source of new funding for future costs of the program.

4. *General fund balance replenishment.* Once the emergency reserve has initially been fully funded, if the emergency reserve should fall below its floor, the director of finance or budget officer will prepare and present to the city council a plan to replenish the emergency reserve. The city council must approve and adopt a plan within 12 months after the emergency reserve first falls below its floor, which establishes a time frame to restore the reserve to, at minimum, its floor level.

(2) *Proprietary funds.* Each proprietary fund shall strive to maintain an unassigned fund balance equal to, at minimum, two months' worth of operating costs, as defined in the respective bond ordinances for that fund. For the purposes of this calculation, the current fiscal year budget shall be the budget as originally adopted by ordinance in March for the subsequent fiscal year. This reservation of fund balance shall be in addition to all other required reservations including, but not limited to, amounts reserved for debt service and/or amounts reserved for renewal and replacement of long lived assets.

a. *Water fund.* The water fund accounts for activities of the city's water distribution system. Revenues are derived mainly from water service and installation charges.

b. *Kansas City airports fund.* The Kansas City airports fund accounts for the operations of the city's two airports: Kansas City International Airport (KCI) and the Charles B. Wheeler Downtown Airport. Revenues are derived principally from hangar and terminal building rental, landing fees, and parking.



- c. *Sewer fund.* The sewer fund accounts for the activities of the wastewater collection and treatment system. Revenues are derived primarily from sewer users' service charges and fees.
  - d. *Enterprise funds.* These funds account for the proceeds from a special facility bond issue and the related lease agreement for the aircraft maintenance and overhaul base located at the Kansas City International Airport.
- (3) *Special revenue funds.* Special revenue funds are used to account for the proceeds of specific revenue sources (other than certain capital projects and expendable trusts) that are legally restricted to expenditure for specified purposes. No specific reservation of fund balance is created by virtue of enactment of this policy. The amount of any reservation of fund balance shall be governed by the legal authority underlying the creation of the individual funds.
- (4) *Capital projects funds.* The capital projects funds account for resources used for the acquisition of capital facilities, except those financed by the proprietary funds and those budgeted in the general or special revenue funds, when resources are derived exclusively from the direct revenues for the fund and do not involve long-term borrowing. The city council, by ordinance, may elect to commit or assign a portion of its capital projects funds' balances to a general project contingency, capital maintenance or replacement reserve. All remaining restricted fund balance in the capital projects funds will be re-appropriated in the following year for eligible construction and renovation projects. No specific reserve requirements are established for capital projects funds; however, at a minimum, the fiscal year end unreserved fund balance, and estimated revenues for the ensuing fiscal year must be sufficient to meet all outstanding fund encumbrances.
- (5) *Debt service funds.* The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The city shall maintain sufficient reserves in its debt service funds, which shall equal or exceed the requirements dictated by its bond ordinances. Funds restricted for debt service are monies held as required by a bond indenture or similar agreement and maintained either by the city or by a trustee. Any assignment of fund balance within the debt service funds represents the city's efforts to cover specific risks associated with business interruption, interest rates, swap termination, counterparties and difference in basis.
- (6) *Claims and workers compensation funds.* The claims and workers compensation funds are used to cover general liability claims, automobile liability, fire, and extended coverage on city vehicles, public official liability claims, and workers' compensation claims on both police department and city employees. The city shall seek to build and maintain reserves in its claims and workers compensation

funds in amounts equivalent to at least one times annual projected claims exposure.

- (7) *Waiving recommended levels.* The city council may waive, by ordinance, the requirement to maintain reserves at the recommended levels if it finds that it is in the best interests of the city.

(g) *Financial reporting.* In the city's fund financial statements, governmental and proprietary funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Encumbrances outstanding at year end are reported as commitments or assignments of fund balances because they do not constitute expenditures or liabilities. Such encumbrances serve as authorizations for expenditures in the subsequent year. Commitments of fund balances represent tentative plans for future use of financial resources that are subject to change.

(h) *Allocations outside annual budget process.* Except in the case of a state of emergency, declared pursuant to Section 50-155 of the Code of Ordinances of the City of Kansas City, Missouri, allocations from the Unappropriated General Fund Balance outside of the annual budget process or quarterly budget analysis process as defined in Section 2-1956 of the Code of Ordinances shall only be made if the allocation is accompanied by a commensurate increase in revenue or a decrease in another General Fund obligation.

..end

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Approved as to form:

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Matthew Gigliotti  
City Attorney



**File #: 230158**

ORDINANCE NO. 230158

Sponsor(s): Mayor Quinton Lucas and Councilmember Andrea Bough

Amending Chapter 68, Article VI, Code of Ordinances, by repealing Section 68-393 entitled “Refunds” and enacting in lieu thereof a new section of like number and subject matter; and repealing Earnings and Profits Tax Regulations Sections 1.381 through 1.402 and approving in lieu thereof new Earnings and Profits Regulations Sections 1.381 through 1.402 related to the same subject matter.

WHEREAS, the City seeks to simplify and improve the efficiency of the refund filing process for the City’s earnings tax; and

WHEREAS, pursuant to Chapter 68, Article VI, Section 68-395 of the Code of Ordinances, the Director of Finance, or his/her delegate, the Commissioner of Revenue, is charged with the administration and enforcement of the earnings tax; and

WHEREAS, among the powers granted to the Commissioner of Revenue by Section 68-395 of the Code of Ordinances is the authority to adopt and promulgate regulations for the administration and enforcement of the earnings tax; and

WHEREAS, the Commissioner of Revenue adopted Earnings and Profits Tax Regulations on February 9, 2023 labeled Sections 1.381 through 1.402, to repeal and replace in their entirety Earnings and Profits Tax Regulations numbered Sections 1.381 through 1.402, adopted December 19, 2022; NOW THEREFORE,

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That Chapter 68, Article VI, Code of Ordinances, is hereby amended by repealing Section 68-393, and enacting in lieu thereof a new section of like number and subject matter, to read as follows:

**Sec. 68-393. Refunds.**

(a) When any taxpayer has paid during the taxable year more than the amount of the tax to which the city is entitled under the provisions of this article, a refund of the amount so overpaid shall be made, provided that the taxpayer timely submits a proper claim for refund of such overpayment of tax in a manner prescribed by the commissioner of revenue.

(b) A request or claim for refund must be filed by the taxpayer on or before the due date of filing of the federal income tax return for such year; and provided, further, that no refunds of less than \$1.00 shall be allowed.

(c) Notwithstanding any provision in subsection (a), for taxes which are not paid until after the director has made an assessment, no person shall be entitled to file a claim for refund.

(d) Notwithstanding any provision in subsection (a), in the case of any overpayment of any tax under this article, the commissioner may, instead of granting a refund, credit and apply the amount of such overpayment against any uncontested delinquent tax liability of any type whatsoever owed by the taxpayer to the city, and within the period of limitations for collection.

Section 2. That Earnings and Profits Tax Regulations labeled as Sections 1.381 through 1.402 are hereby repealed, and in lieu thereof, new Earnings and Profits Tax Regulations labeled as Sections 1.381 through 1.402 and related to the same subject matter are hereby adopted and approved, with such regulations to read as set forth in Exhibit A, which is attached hereto and incorporated herein.

..end

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Approved as to form:

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Samuel E. Miller  
Assistant City Attorney

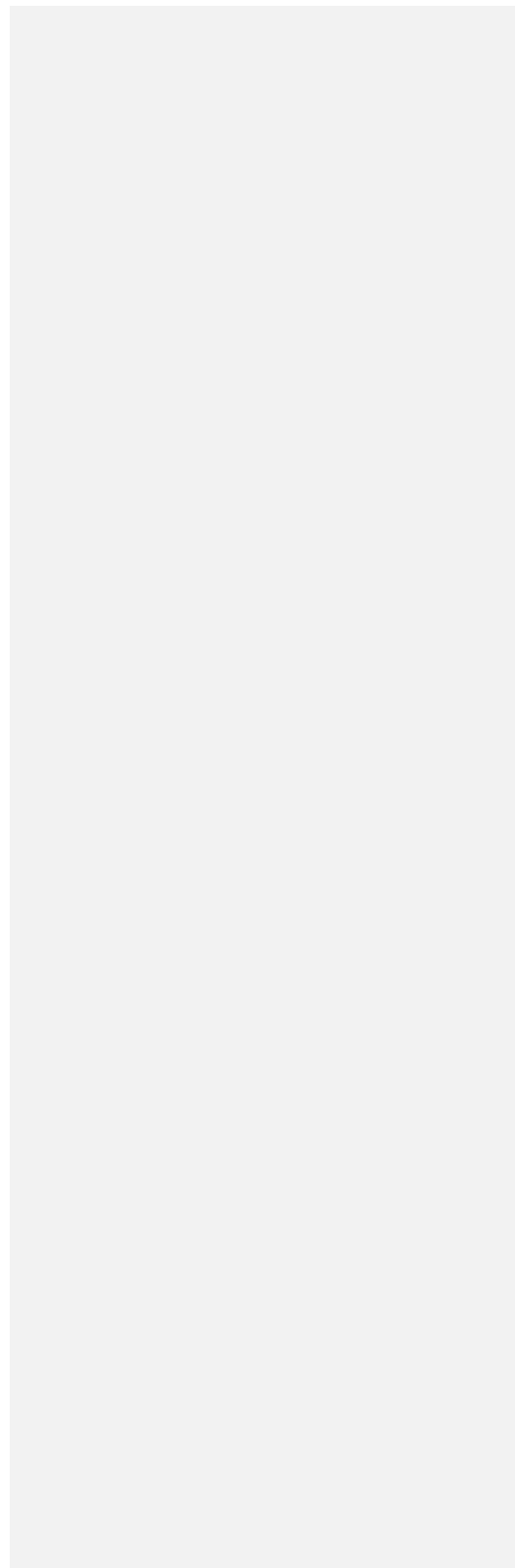
**Earnings and Profits Tax Regulations**  
**Of the City of Kansas City, Missouri**  
**Sections §1.381 to §1.402 Inclusive**

As made and adopted by the Commissioner of Revenue of the City of Kansas City, Missouri on \_\_\_\_\_, ~~2022~~2023, to become effective upon approval by the City Council. These regulations are numbered in accordance with the numbering of Sections 68-381 to 68-44002 of the Code of Ordinances, to which they refer and correspond.

These regulations replace all previous versions of Earning and Profits Tax Regulations, including Earnings and Profits Tax Regulations ~~Numbers Sections 1.381E-140~~ through ~~1.402E-164~~ adopted ~~July 10, 1979~~December 19, 2022.

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Mari Ruck,  
Commissioner of Revenue



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**§1.381 Definitions.**

As used in the Rules and Regulations, the following words shall have the meaning ascribed to them, except as and if the context clearly indicates or requires a different meaning. In all definitions and these regulations, the singular shall include the plural, and the masculine shall include the feminine and the neuter.

- (a) *Base of operations* means the place from which an employee principally works or to which the employee customarily returns to receive instructions from the employer.
- (b) *Business* means any enterprise, activity, profession, trade or undertaking of any nature that generates gross receipts.
- (c) *City* means the City of Kansas City, Missouri, as defined by City Charter.
- (d) *Commissioner* means the Commissioner of Revenue of the city.
- (e) *Compensation* means pay or remuneration given as payment for work done or services rendered, in cash or in kind, and including but not limited to the following: salaries, wages, bonuses, commissions, fees, tips, golden parachute payments, incentive payments, severance pay, vacation pay, sick pay, stock options, and stock as compensation.
- (f) *Corporation* means a legal entity recognized as a corporation and organized under the laws of any state or territory of the United States or any foreign country.
- (g) *Day worked within the city* means any day or the portion thereof in which the taxpayer renders or performs services in Kansas City, Missouri. Any day that the taxpayer renders or performs any services in the city will be treated as a day worked in the city unless otherwise provided for in these regulations.
- (h) *Days worked outside the city* means any days in which all of the taxpayer's work or services are performed outside of Kansas City, Missouri. Vacation, sick, and holidays shall not be counted as a day worked outside of Kansas City, Missouri.
- (i) *Days worked* will be 260 days per year unless otherwise defined in these regulations.
- (j) *Deferred Compensation* means earnings for which a recipient has a legally binding right during a taxable year not contingent on any future action, service or event and which has not been actually or constructively received and included in the recipient's income, and which pursuant to the terms of a plan or arrangement, is payable to (or on behalf of) the service provider in a later year. Deferred compensation does not include any bona fide vacation leave, sick leave, compensatory time, disability pay or death benefit plan. A deferral of



compensation does not occur solely because compensation is paid after the last day of the service provider's taxable year pursuant to the timing arrangement under which the recipient is normally compensated for services performed during a pay period.

- (k) *Deferred Payment* means income that is earned by an employee for services performed or rendered but not paid to the employee until a future date. Deferred payments may include, but are not limited to, vacation pay, sick pay, back pay, and bonuses. The term deferred payment does not include payments of deferred compensation as defined in section 1.381(j).
- (l) *Earnings* means compensation paid for personal services, whether denominated as wages, salary, commission, bonus or otherwise, whether paid or payable, in cash or in property.
- (m) *Employee* means any individual who works for earnings in the service of an employer. Any person for whom an employer is required to withhold for federal income tax or social security tax, or on whose account payments are made under the state Unemployment Compensation Act shall be deemed to be an employee. However, the absence of such withholding or payment requirements will not, in themselves, exclude an individual from being an employee. A statutory employee recognized as an independent contractor under common law and treated as an employee by statute for certain employment tax purposes, shall be considered a regular employee for the purpose of this Regulation.
- (n) *Employer* means an individual, corporation (including a corporation not for profit), partnership, governmental administration agency, arm, authority, board, body, branch, bureau, department, division, subdivision, section or unit, or any other entity, who or that employs one or more persons on a salary, wage, commission or other compensation basis, whether or not such employer is engaged in business as hereinafter defined.

Any person or entity required to withhold for federal income tax or social security tax, or to make payments under the state Unemployment Compensation Act shall be deemed to be an employer, whether or not such employer is engaged in business. The absence of such requirement shall not, in itself, mean that an individual or an entity is not an employer.

(1) A Professional Employer Organization that has entered into a co-employment relationship with a common law employer will be considered an employer and subject to the provisions of these regulations.

- (o) *Fiscal year* means an accounting period accepted by the Internal Revenue Service for federal income tax purposes and includes a fiscal year of:

(1) 12 months ending on the last day of any month other than December.

(2) 52-53 weeks, always ending on the same day of the week.

- (p) *Independent Contractor* means a person who, while performing services for another, is not under the direction and/or control of such other person or entity as to the details and means by which the agreed upon result is accomplished. An independent contractor is not an employee. To determine whether a person is an independent contractor or employee the Commissioner shall apply the same common law rules used by the Internal Revenue Service that consider the degree of behavioral control the business exercises over the worker, the degree of financial control the business exercises over the worker, and the relationship between the business and the worker.
- (q) *Legal holiday* means a city holiday, a legal holiday on which the United States Postal Service does not deliver mail, or a legal holiday recognized by the Internal Revenue Service for the purpose of determining the due date for Missouri taxpayers filing federal income tax returns.
- (r) *Limited liability company* means a noncorporate business entity created by statute containing some features of a corporation and some features of a partnership. For purposes of the Earnings and Profits Tax, the net profits of a limited liability company will be taxed consistent with the entity's classification as a partnership, corporation or disregarded entity pursuant to Section 7701 of the Internal Revenue Code of 1986, as amended, and the corresponding Treasury Regulations.
- (s) *Net profits* shall be determined by deducting the necessary expenses of operation from the gross profits or earnings.
- (t) *Nonresident* means an individual, business, corporation, fiduciary or other entity which does not meet the definition of a resident as defined herein.
- (u) *Nonqualified stock option* means any stock option that does not meet the requirements to be considered a statutory stock option under Internal Revenue Code sections 421, 422 or 423. Nonqualified stock options are also referred to as "compensatory stock options" or "nonstatutory stock options."
- (v) *Ordinance* means the Revised Ordinances of the City of Kansas City, Missouri, imposing the Earnings and Profits Tax of the City of Kansas City, Missouri.
- (w) *Partnership* means any entity recognized as a partnership, and organized as a partnership under the laws of any state or territory of the United States or any foreign country. Such partnerships include but are not limited to limited partnerships, general partnerships, limited liability partnerships, family limited partnerships, and limited liability companies (LLCs) that are treated as partnerships for federal income tax purposes.

- (x) *Pass-through entity* means any entity for which the state allows taxable income to pass through to the owners including but not limited to partnerships, certain limited liability companies, or other entities recognized as pass-through entities by the state, except that the term pass-through entity does not include any corporation, as defined in section 1.381(f). Trusts are pass-through entities to the extent that items of income and expense are passed through to beneficiaries in a given year.
- (y) *Person* includes every natural person, business or other entity. Whenever the term “person” is used in any clause prescribing and imposing a penalty, the term as applied to organizations rather than natural persons shall mean the partners, members, or owners thereof, and as applied to corporations, the officers thereof.
- (z) *Place of Business* means any bona fide office (other than a mere statutory office as required by state, local, or federal statute), factory, warehouse, retail store or other space which is regularly occupied and used by the taxpayer in carrying on any business activity whether in person or through one or more employees regularly in attendance.
- (aa) *Professional Employer Organization (PEO)* means a third party that contracts with a client, the common law employer, to perform some or all of the employment tax withholding, reporting and payment activities related to workers performing services for the common law employer.
- (bb) *Publicly traded partnership* means any partnership if interests in such partnership are traded on an established market, or are readily tradable on a secondary market (or the substantial equivalent thereof).
- (cc) *Rental Income* means payments received from the use or occupancy of property. Rental income includes, but is not limited to, lease cancellation payments, advance rent, expenses paid by a renter in lieu of rent, and property or services provided in lieu of rent.
- (dd) *Resident* means any individual, business or other entity either residing or domiciled within the city.
- (1) An individual resides within the city if he lives in the city.
  - (2) An individual is domiciled within the city if he has his true, fixed and permanent home and principal establishment in the city, to which he intends to return whenever absent.
  - (3) In the case of a business, corporation, fiduciary or other entity, “resident” means any such entity, whether incorporated or unincorporated, that maintains an office, branch or other place of business within the city.

- (ee) *Statutory stock options* include incentive stock options (ISO's) as described in Internal Revenue Code Section 422 and options granted under an employee stock purchase plan (ESPP) as described in Internal Revenue Code Section 423.
- (ff) *Taxable year* means the calendar year or the fiscal year used as the basis on which net earned profit is to be computed. For Kansas City, Missouri earnings and profits taxes, the taxpayer shall use the same taxable year as is used for state and federal income tax purposes.
- (gg) *Taxpayer* means a person, whether an individual, business, partnership, corporation, fiduciary, or other entity subject to or required to withhold Kansas City, Missouri earnings and/or profits tax.
- (hh) *Telecommuting* refers to the practice of working at home and communicating with the workplace by telephone, fax, computer, or other electronic means.
- (ii) *Other Terms and Terms Not Defined.* Any term used in these regulations shall have the same meaning as when used in a comparable context in the Internal Revenue Code or other laws of the United States relating to federal income taxes as the same may be or become effective for the taxable year, unless a different meaning is provided for or clearly required by the provisions of these regulations. Any reference herein to the Internal Revenue Code shall mean the Internal Revenue Code of 1986, and amendments thereto, and regulations promulgated with respect to the provisions of said Code, as in effect for the taxable year.

**§1.382 Imposition of tax.**

- (a) The tax for general revenue purposes of 1.0 percent per year imposed by the Ordinance applies to:

- (1) All earnings of resident individuals of the city.

This tax applies to all salaries, wages, commissions, and other compensation earned for work done or services performed or rendered, whether such compensation or remuneration is received or earned directly or through an agent and whether paid in cash or in property. The sources of the earnings, the place or places in or at which the services were performed or rendered, and the location at which payment is received are immaterial. All such earnings wherever earned or paid are taxable.

- (A) Exception for deferred receipt of amounts earned while a nonresident:  
In the case where a resident receives taxable compensation that was earned in its entirety during a period of nonresidency, the taxability of such earnings shall be determined as if the taxpayer were still a nonresident. Such amounts shall include, but not be limited to,

compensation in the form of severance pay, bonuses, the exercise of stock options, and the vesting of restricted shares of stock.

(i) Example:

Joyce Smothers lived in Bakersfield, California where she worked for the Gold Company for 25 years. On November 1, 2020, her position was eliminated and she accepted a severance package that would be payable over the next 12 months, beginning on December 1. She would receive \$2,000 per month. On March 12, 2021, Joyce relocated to Kansas City, Missouri.

<b>Dates</b>	<b>Events</b>
1995-2020	Lived in California
November 1, 2020	Position eliminated
December 1, 2020 – November 30, 2021	Will receive severance payments of \$2,000 per month on the first of each month
March 12, 2021	Relocated to Kansas City, Missouri

None of her severance pay is subject to Kansas City earnings tax because it is fully attributable to her work outside Kansas City, Missouri while a nonresident of Kansas City, Missouri.

- (B) Exception for deferred taxability of amounts earned in part while a nonresident. In the case where a resident receives taxable compensation that was earned in part during a period of nonresidency, the taxability of such earnings shall be allocated among periods of residence and nonresidence. Amounts attributable to the period of residence shall be taxed in full. Amounts attributable to the period of nonresidence shall be taxed as if the taxpayer were still a nonresident.
- (i) If the pay rate is substantially consistent throughout the period of earnings, the earnings shall be allocated based on the ratio of the number of days or months in the period of residence to the total period during which the compensation was earned.
  - (ii) If the pay rate is not substantially consistent throughout the period of earnings, the earnings shall be allocated based on the ratio of actual earnings during the period of residence to the total earnings from that employer for the time during which the compensation was earned.
  - (iii) For compensation that has a substantial risk of forfeiture until the expiration of a specified period of time, both the period to which the compensation is attributable and the vesting period are considered.

(iv) Example 1:

Jason Lee moved from Liberty, Missouri to Kansas City, Missouri on March 1, 2020. He had lived in Liberty for three years prior to the move. On June 30, 2020, his employer awarded him 100 restricted shares of stock. The award was based on Jason's work performance from July 1, 2019 to June 30, 2020, and the shares would vest on July 1, 2021, but only if Jason was still employed by the company. Jason remained with the company and the shares were vested and transferred to him on July 1, 2021, at which time they had a fair market value of \$10,000. Jason worked in an office in Gladstone, Missouri, for the entire period.

Dates	Events
Through February 28, 2020	Lived in Liberty, Missouri
March 1, 2020	Moved to Kansas City, Missouri
June 30, 2020	100 restricted shares awarded
July 1, 2019 – June 30, 2020	Period for which shares were awarded
July 1, 2021	Date shares vested

Jason's taxable compensation from the vesting of the shares is:

12 months earning period + 12 months vesting period = 24 months for allocation

4 months resident earnings period + 12 months resident vesting period = 16 months residence ÷ 24 months total =  $\frac{2}{3}$  x \$10,000 = \$6,667 earnings taxable to Kansas City, Missouri.

(v) Example 2:

Maria Ortega lived in Independence, Missouri from May 1, 2017 through November 30, 2019. On December 1, 2019, she moved to Kansas City, Missouri. On September 1, 2017, she accepted a job in Kansas City, Missouri, where she continues to work. Each year, she works outside the city for 10 percent of the total number of days she works. On June 16, 2021, she received a payment from her current employer in settlement of a lawsuit. The payment included \$20,000 of back pay attributable to the period from September 1, 2017 through December 31, 2020.

Maria's Kansas City, Missouri taxable compensation for the period that she was not a resident of Kansas City, Missouri is 90% of her total compensation based on her days worked in the city.

<b>Dates</b>	<b>Events</b>
May 1, 2017 – November 30, 2019	Lived in Independence, Missouri
September 1, 2017	Took job in Kansas City, Missouri
December 1, 2019	Moved to Kansas City, Missouri
June 16, 2021	Received settlement
September 1, 2017 – December 31, 2020	Period to which back pay applied

Maria’s taxable compensation in the form of back pay for the period during which she was not a resident of Kansas City, Missouri:

27 months nonresidence ÷ 40 months total = 67.5% x \$20,000 total back pay amount = \$13,500 x 90% income taxable to Kansas City, Missouri = \$12,150.

Maria’s taxable compensation for the period during which she was a resident of Kansas City, Missouri is:

13 months residence ÷ 40 months total = 32.5% x \$20,000 total back pay amount = \$6,500.

A total of \$18,650 of the \$20,000 Maria received for back pay is subject to the Kansas City, Missouri earnings tax.

- (2) All earnings of nonresident individuals for services performed or rendered in the city.

This tax applies to all salaries, wages, commissions, and other compensation earned for work done or services performed or rendered within the city, whether such compensation or remuneration is received or earned directly or through an agent and whether paid in cash or in property. The location at which payment is received or from which payment is made is immaterial.

- (A) Telecommuting:

Compensation for days on which a nonresident individual telecommutes from a location or locations outside the city, whether on a regular or occasional basis, is not subject to the earnings tax.

- (B) Taxability of amounts earned while a resident and received while a nonresident.

In the case where a nonresident receives taxable compensation that was earned in its entirety during a period of residency, the taxability of such earnings shall be determined based on the individual’s residency at the

time the compensation is earned. Such amounts shall include, but not be limited to, compensation in the form of severance pay, the exercise of stock options, and the vesting of restricted shares.

(i) Example 1:

William Yim lived in Kansas City, Missouri, and worked in Kansas City, Missouri, for the Fine Company from March 12, 2012, through July 22, 2019. In July of 2019, the Fine Company transferred William to Detroit, Michigan and he moved to Detroit on July 23, 2019.

The Fine Company grants nonqualified stock options to employees annually on June 30. The options vest one year later, at a time when the fair market value of the options cannot be ascertained, and can be exercised over the following ten years.

On December 11, 2020, William exercised an option for 500 shares and sold them immediately in a cashless transaction. The option was granted to him by the Fine Company on June 30, 2016. For federal income tax purposes William had 2020 taxable compensation of \$4,000 from the exercise of the options.

<b>Dates</b>	<b>Events</b>
March 12, 2012 – July 22, 2019	Lived and worked in Kansas City, Missouri
July 23, 2019	Transferred to Detroit, Michigan
December 11, 2020	Exercised option
June 30, 2016	Grant date of option exercised
June 30, 2017	Vesting date of option exercised

The entire \$4,000 is subject to the Kansas City, Missouri earnings tax because the options were granted based on work done while William was a resident of Kansas City, Missouri and William remained a resident during the vesting period.

(ii) Example 2:

Joyce Smothers lived in Kansas City, Missouri where she worked for the Gold Company for 25 years. On November 1, 2020, her position was eliminated and she accepted a severance package that would be payable at \$2,000 per month over the next 12 months, beginning on December 1. On March 12, 2021, Joyce relocated to Bakersfield, California.



<b>Dates</b>	<b>Events</b>
1995-2020	Lived in Kansas City, Missouri
November 1, 2020	Position eliminated
December 1, 2020 – November 30, 2021	Will receive severance payments of \$2,000 per month on the first of each month
March 12, 2021	Relocated to Bakersfield, California

All of her severance pay is subject to the Kansas City, Missouri earnings tax because it is fully attributable to her work within Kansas City, Missouri while a resident of Kansas City, Missouri.

- (C) Taxability of amounts earned in part while a resident, in part while a nonresident and received while a nonresident.

In the case where a nonresident receives taxable compensation that was earned in part during a period of residency and in part during a period of nonresidency, and that compensation was earned in a location outside of Kansas City, Missouri, the taxability of such earnings shall be prorated according to the relative amounts of time of residency and nonresidency. Such amounts shall include, but not be limited to, compensation in the form of severance pay, the exercise of stock options, and the vesting of restricted shares of stock.

- (i) Example:

Jason Lee moved from Kansas City, Missouri to Liberty, Missouri on March 1, 2020. He had lived in Kansas City, Missouri for three years prior to the move. On June 30, 2020, his employer awarded him 100 restricted shares of stock. The award was based on Jason’s work performance from July 1, 2019 to June 30, 2020, and would vest on July 1, 2021, but only if Jason was still employed by the company. Jason remained with the company and the shares were vested and transferred to him on July 1, 2021, at which time they had a fair market value of \$10,000. Jason worked in an office in Gladstone, Missouri, for the entire period.

<b>Dates</b>	<b>Events</b>
March 1, 2017 – February 28, 2020	Lived in Kansas City, Missouri
March 1, 2020	Moved to Liberty, Missouri
June 30, 2020	Restricted shares awarded
July 1, 2019 – June 30, 2020	Period for which shares were awarded
July 1, 2021	Shares vested

Jason's taxable compensation from the vesting of the shares is:

12 month earning period + 12 month vesting period = 24 months for allocation.

8 months residence ÷ 24 months total = 1/3 x \$10,000 = \$3,333 earnings taxable to Kansas City, Missouri.

- (D) Taxability of amounts earned partly in Kansas City, Missouri during a period of nonresidency and partly outside of Kansas City, Missouri during a period of nonresidency and received while a nonresident.

In the case where a nonresident receives taxable compensation that was earned while a nonresident in part in a location within Kansas City, Missouri and partly in a location outside of Kansas City, Missouri, the taxability of such earnings shall be prorated according to the relative amounts of time worked in Kansas City, Missouri and outside of Kansas City, Missouri. Such amounts shall include, but not be limited to, compensation in the form of severance pay, the exercise of stock options, and the vesting of restricted shares of stock.

- (i) Example:

Laura Vega has lived in Independence, Missouri her entire life. On September 1, 2017, she accepted a job in Kansas City, Missouri, where she continues to work. Each year, she works outside Kansas City, Missouri for 10 percent of the total number of days she works. On June 16, 2021, she received a payment from her current employer in settlement of a lawsuit. The payment included \$20,000 of back pay attributable to the period from September 1, 2017 through December 31, 2020.

Laura's income taxable to Kansas City, Missouri each year is 90% of her earnings.

Dates	Events
Entire period	Lived in Independence
September 1, 2017	Accepted job in Kansas City, Missouri
June 16, 2021	Received settlement
September 1, 2017 – December 31, 2020	Period to which back pay is attributable

A total of \$18,000 of the \$20,000 Laura received for back pay is subject to Kansas City, Missouri earnings tax.

- (3) Net profits of all unincorporated businesses conducted by residents.

The tax applies to the net profits earned of all unincorporated businesses, professions or other activities conducted by a resident or residents of Kansas City, Missouri, including distributive shares of profits from pass-through entities. The location of the business and the location of any transactions are immaterial. All such profits wherever earned or paid are taxable.

- (4) Net profits of all unincorporated businesses conducted in the city by nonresidents.

The tax applies to the net profits of all unincorporated businesses earned as a result of work done or services performed or rendered, or business or other activities conducted in the city by nonresidents. In the case where activities are conducted both within and outside of Kansas City, Missouri, tax will be imposed on profits attributable to Kansas City, Missouri under the methods provided for in the Ordinance and regulations.

- (5) Net profits of all corporations earned as a result of work done or services performed or rendered, or business or other activities conducted in the city.

In the case where activities are conducted both within and outside of Kansas City, Missouri, regardless of whether there is an office or place of business in the city, tax will be imposed on profits attributable to Kansas City, Missouri under the methods provided for in the Ordinance and regulations.

- (b) Partnerships (except for certain publicly traded partnerships) and other pass-through entities shall not be taxed as entities.

- (1) Any member thereof who is a resident of the city shall be taxed individually on his or her entire distributive share of the annual profits thereof, and any nonresident member shall be taxed individually only on that portion of his or her distributive share of the annual profits thereof which is derived by the pass-through entity from work done, services performed or rendered, or business or other activities conducted in the city.

- (A) Example 1:

Fudgeworks is a partnership with five partners. Two of the partners are residents of Kansas City, Missouri and three are residents of Gladstone. Fudgeworks has a single location, in Kansas City, Missouri, where all operations and retail sales are performed. All sales are made from that location, and no products are shipped to customers. All of Fudgeworks' net profits are apportioned to Kansas City, Missouri and each partner is fully taxable on his distributive share of profits.

- (B) Example 2:

Speedy Promotions is a partnership with two partners. George Ransom is a resident of Kansas City, Missouri and a 50% partner. Janice Mason is a Grandview, Missouri, resident and a 50% partner. Speedy Promotions has an office in Lee's Summit, Missouri but does work for businesses and individuals throughout the Kansas City metropolitan area. For the current tax year, 75% of the net profits of \$80,000 are apportioned to Kansas City, Missouri and 25% are apportioned to other locations. Speedy Promotions passes through \$40,000 of profit each to George and Janice. Of the pass-through amounts each receives:

For George, \$40,000 (100% x \$40,000 share of profits) is taxable by Kansas City, Missouri because he is a resident of Kansas City, Missouri.

For Janice, \$30,000 (75% apportioned to Kansas City, Missouri x \$40,000 share of profits) is taxable to Kansas City, Missouri.

- (C) Members shall be taxed on their distributive shares of annual net profits.
- (i) Annual net profits of a partnership shall be comprised of the following items reported to the taxpayer on federal Schedule K-1:
- (I) Ordinary business income or loss.
  - (II) Guaranteed payments. Guaranteed payments to partners for services reported on federal Schedule K-1 shall be treated as earnings. Such guaranteed payments to resident partners shall be fully taxable. Such guaranteed payments to a nonresident partner shall be included in the computation of earnings from sources within the city in the same manner as if those payments were a distributive share of the partnership.
  - (III) Unrecaptured section 1250 gain.
  - (IV) Partnership section 179 deduction to the extent allowable on the individual partner's return.
  - (V) Unreimbursed necessary partnership expenses paid by the taxpayer on behalf of the partnership if the partner was required to pay the expenses under the partnership agreement.
    - (a) Personal expenses such as but not limited to retirement contributions, self-employment taxes and health insurance premiums are not deductible as they are not considered necessary business expenses but solely for the benefit of the partners.

- (VI) Unless the partnership attaches documentation establishing that the revenue should be treated as unearned:
  - (a) Farm income.
  - (b) Other items of income or loss.
- (VII) Interest, dividends, rent or royalties reported on the federal Schedule K-1 shall generally be treated as unearned, unless the Commissioner, after review of the facts, finds that the interest, dividends, rent or royalties were received for work done, services performed or rendered, or business or other activities conducted by the taxpayer.
- (D) S-corporations shall not be taxed as pass-through entities but will instead be taxed as corporations.
- (E) A publicly traded partnership shall be taxed on its net profits as a corporation, except as provided in Section 7704(c) of the Internal Revenue Code.
- (F) Estates and trusts will be taxed as pass-through entities to the extent that taxable distributions of annual net profits are made to beneficiaries. Taxable annual net profits that are not distributed shall be taxed to the entity.
- (2) All pass-through entities shall be required to file an informational return for each tax year in a form prescribed by the Commissioner. The informational returns shall list each member or beneficiary to whom profits tax liability flowed, and each corresponding address and social security number or other tax identification number.
- (3) In lieu of the informational return, pass-through entities may elect to file a combined return and pay the tax due on behalf of the partners, members, owners, or beneficiaries. This return must reflect the net profits passed through to and the tax liability of each partner, member, owner, or beneficiary individually, and be in a form prescribed by the Commissioner. Liability for the payment of the tax remains with each person.
- (A) Once a pass-through entity has elected to file and pay on behalf of the partners, owners, members or beneficiaries, that election must be followed in subsequent years unless the partnership applies to and obtains permission from the Commissioner to end the election.

(4) Partners, members, owners, and beneficiaries may not offset pass-through income with expenses from other activities or operations or with any indirect expenses.

(A) Example: Charles Goodwin and Amy MacArthur own the Cam Partnership. Amy McArthur and Jane Master own the Jam Partnership. The two partnerships rent a shared office location and share the office expenses, including the salary of an office manager. Each partnership can only deduct its share of the joint expenses.

(5) Partners, members, owners, and beneficiaries may use pass-through losses to offset net income and losses from activities subject to the profits tax but may not use pass-through losses to offset wages subject to earnings tax.

(A) Residents of Kansas City, Missouri may use all pass-through losses to offset profits from other activities that are subject to the profits tax.

(i) Example:

Roseanne O'Dell is a resident of Kansas City, Missouri. She is a sole proprietor with net profits of \$65,000, all of which are subject to the Kansas City, Missouri profits tax because Roseanne is a resident of Kansas City, Missouri. She is also a partner in two partnerships, Silhouette and Victory, neither of which operates in or has any income attributable to Kansas City, Missouri. However, all profits passed through from these partnerships are taxable to Kansas City, Missouri because Roseanne is a resident of Kansas City, Missouri. Silhouette Partnership passed through a net profit of \$1,200 and Victory Partnership passed through a net loss of \$14,600. Roseanne's net profit subject to the Kansas City, Missouri profits tax is \$51,600 (\$65,000 from the sole proprietorship + \$1,200 profit from Silhouette - \$14,600 loss from Victory).

Source	Net Profit
Sole proprietorship	\$65,000
Silhouette Partnership	\$1,200
Victory Partnership	(\$14,600)
Combined net profit	\$51,600

(B) Nonresidents of Kansas City, Missouri may use only pass-through losses that are allocable to Kansas City, Missouri to offset profits from other activities that are allocable to Kansas City, Missouri and subject to the profits tax.

(i) Example:

Felicia Norton is a resident of Olathe, Kansas. She works as a software developer at an office in Kansas City, Missouri, and was paid \$58,000 wages for the current year. She also sells cosmetics as a sole proprietor, and incurred a loss of \$4,500 for the current year, \$1,800 of which was apportioned to Kansas City, Missouri. Felicia is a partner in the Cranston Partnership which passed through a net profit of \$6,000, 40% of which (\$2,400) was apportioned to Kansas City, Missouri. Felicia's net profit subject to Kansas City, Missouri profit tax is \$600 (\$2,400 income from Cranston - \$1,800 loss from cosmetics sales). Felicia's wages of \$58,000 are also subject to the earnings tax because they were earned in Kansas City, Missouri.

Source	Net Profit	KC Portion
Sole proprietorship	(\$4,500)	(\$1,800)
Cranston Partnership	\$6,000	\$2,400
Combined net profit	\$1,500	\$600

- (c) Such tax shall be levied, collected and paid on the basis of the calendar year; provided, however, that where the fiscal year of any taxpayer differs from the calendar year the tax may be computed on the fiscal year basis.
- (1) The taxpayer's taxable year shall be the same as the taxable year used on the taxpayer's federal tax return for the year, if such return is required and/or filed.
- (2) If no federal tax return is required for the year, the tax year used for the Kansas City, Missouri return must be a year that would be acceptable for federal tax purposes.
- (d) The following are items which are subject to the tax imposed by Section 68-382(a)(1) and (2) of the Ordinance:
- (1) Salaries, wages, bonuses and incentive payments earned by an individual whether directly or through an agent and whether in cash or in property for services rendered.
- (A) The above amounts shall be subject to tax when received by:
- (i) An officer, director, or employee of a corporation (including charitable and other non-profit organizations), joint stock association, or joint stock company.

- (ii) An employee (as distinguished from a partner, member, or owner) of a partnership, a limited liability corporation that has elected to be taxed as a partnership, or any form of unincorporated business enterprise owned by two or more persons.
  - (iii) An employee (as distinguished from a proprietor) of a business, trade or profession conducted by an individual owner, including amounts paid as wages to the owner of an S-corporation.
  - (iv) An officer or employee (whether elected, appointed, or commissioned) of the United States Government (except as provided in Section 68-385 of the Ordinance) or of a corporation created and owned or controlled by the United States Government, or any of its agencies or of the State of Missouri or any of its political subdivisions or agencies thereof; or any foreign country or dependency, except as exempted by treaty.
  - (v) An employee of any other entity or person, whether paid by an individual, partnership, corporation, (including charitable and non-profit corporations), governmental administration, agency, authority, board, body, branch, bureau, department, division, subdivision, section or unit, or any other entity.
  - (vi) An estate or beneficiary of a deceased employee. Income in respect of a decedent, which would have been earnings (as salary, wages, bonus, incentive payments or other compensation) in the hands of the decedent if the decedent had lived and received the earnings, shall retain its character as earnings and be subject to the earnings tax when received by the decedent's estate or person who acquired the right to the income by reason of the decedent's death.
- (B) As provided in Section 92.113 of the Revised Statutes of Missouri (RSMo), 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.
- (i) Example:

Jane Smith, a Kansas City, Missouri resident, participates in her employer's 401(k) plan. The plan meets all of the qualification requirements of the Internal Revenue Code. Jane's contributions to the plan do not exceed the annual contribution limits of the Internal Revenue Code and are not subject to Missouri income tax. Because Jane's contributions to the 401(k) plan are not subject to Missouri



income tax, under Section 92.113, RSMo they are also not subject to the Kansas City earnings tax.

- (C) Distributions from qualified pension plans, qualified profit sharing plans, qualified stock bonus plans, and other qualified retirement plans shall not be subject to the earnings tax, pursuant to the exemption granted under Section 92.130.1(16), RSMo.

(i) Example:

Jane Smith, from Example (B)(i) above, has recently retired and begun receiving distributions from the qualified trust of the profit-sharing plan in which her 401(k) plan contributions were invested. Although these amounts were earned and deferred while Jane was a Kansas City, Missouri resident, these distributions are exempt from the earning tax under Section 92.130.1(16), RSMo.

- (D) Unless precluded by Public Law 104-95 (Section 114 of Chapter 4, Title 4 of the U.S. Code), distributions from nonqualified deferred compensation plans shall be subject to the earnings tax, regardless of the taxpayer's residence when received, if earned and deferred while a resident of Kansas City, Missouri, or if earned and deferred by a nonresident for work performed in Kansas City, Missouri.

(i) The amount subject to tax shall be limited to the total amount contributed to the plan by the taxpayer and/or employer and not previously subject to earnings tax. Distributions shall be deemed to be made first from taxable amounts.

(ii) Public Law 104-95 exception. Payments from a nonqualified deferred compensation plan to an individual who is not a resident or domiciliary of the state of Missouri shall not be subject to the tax if such payments meet the definition of retirement income under Public Law 104-95.

(iii) Example:

Chandler Jones, a resident of Leawood, Kansas, worked her entire career for XYZ Company in Kansas City, Missouri. As one of the top executives of XYZ, Chandler participated in the company's unfunded executive deferred compensation plan, a nonqualified deferred compensation plan described in Section 3121 (v)(2)(C) of the Internal Revenue Code. The plan provided for payments upon retirement in equal annual installments for fifteen years, so that the payments met the definition of retirement income under Public Law 104-95. Upon her retirement in 2020, Chandler became eligible to receive the amount to which she was entitled from the plan, beginning in January

of 2021. Because Chandler was not a resident of the state of Missouri when she received her 2021 payment from the plan, and because the annuity payments met the definition of retirement income under Public Law 104-95, the 2021 payment, as well as any future years' payments Chandler receives while a nonresident of Missouri, will be exempt from the earnings tax pursuant to Public Law 104-95.

- (2) Commissions earned by a taxpayer whether directly or through an agent and whether in cash or in property for services rendered, regardless of how computed or by whom or whatsoever paid.
- (3) Fees, unless such fees are properly includable as part of the net profits of a trade, business, profession or enterprise regularly carried on by an unincorporated entity (including limited liability corporations that are not taxed as corporations) owned or partly owned by said individual and such net profits are subject to the tax under Section 68-382 (a) (3) or (4) of the Ordinance. Examples of fees subject to the earnings tax include those received by a director or officer of a corporation.
- (4) Other compensation, including tips, bonuses, or gifts of any type in connection with services rendered, and including compensation paid to domestic servants, casual employees and other types of employees.
- (5) Payments made to an employee by an employer as vacation pay, holiday pay, or any other type of payment made under a wage or salary continuation plan during periods of absence from work are taxable when paid. All amounts earned while a resident of Kansas City, Missouri and all amounts earned within Kansas City, Missouri while a nonresident are taxable, regardless of the taxpayer's residency at the time received.
  - (A) For payments that are not fully allocable to periods of residence in Kansas City, Missouri and/or earnings in Kansas City, Missouri, sections 1.382(a)(1) and 1.382(a)(2) of these regulations apply.
- (6) Sick pay is a payment under a plan because of an employee's temporary absence from work due to injury, sickness, or disability. Sick pay includes amounts paid by the employer or by a third party (such as an insurance company or a union) and includes both short-term and long-term benefits. Payments made to an employee by an employer as sick pay are subject to tax unless:
  - (A) The payment is made after the employee's death.
  - (B) The payment is made in part or entirely due to the employee's contributions to or payment for the plan and the employee contributions were not excluded from tax at the time of payment.

- (i) If payment for the plan was made entirely from the employee's taxable funds, none of the sick pay is taxable.
  - (ii) If payment for the plan was made partly from the employee's taxable funds and partly from the employer's funds and/or from the employee's pre-tax funds, the payment is allocated as taxable and nontaxable based on the ratio of employee taxable cost to all other costs. The ratio is based on the policy costs for the three policy years before the calendar year in which the sick pay is paid. If the policy has been in effect fewer than three years, the cost for the policy years it was in effect is used. If the policy has been in effect for less than a year, a reasonable estimate for the cost of the first policy year is used.
- (C) The payment is made for disability retirement, whether treated as retirement income or earned income for federal income tax purposes.
  - (D) The payment is made under a workers' compensation law or made to state or local government employees under a plan that is in the nature of a workers' compensation plan.
  - (E) The payment is made under a definite plan for medical and hospitalization expenses.
  - (F) The payment is made for a reason unrelated to the employee's absence from work, such as permanent physical loss or disfigurement.
- (7) Where compensation is paid or received in property its fair market value, at the time of receipt, shall be subject to the tax and to withholding. Board, lodging and similar items received by an employee in lieu of additional cash compensation shall be included in earnings at their fair market value.
- (A) The value accepted by the state and federal governments for payroll tax purposes may be accepted by the Commissioner.
  - (B) In the case of domestic and other employees whose duties require them to live at their place of employment or assignment, board and lodging will not be considered as wages or compensation earned.
  - (C) The value of meals furnished to employees by the employer for the latter's convenience shall not be considered wages earned.
- (8) Compensation in the form of stock and stock options.
- (A) *General Rule.* Stock and stock options are taxable as earnings for purposes of the earnings tax to the extent they represent compensation for services performed while the recipient was a resident of the city or

compensation for services performed in the city by a nonresident, regardless of the taxpayer's residency at the time the options are exercised.

(i) Example:

Steve Smith lived in Overland Park, Kansas from 2017 through 2021. During that time, he worked for Stern Mart, Inc. in Kansas City, Missouri. Steve filed tax returns with the City of Kansas City, Missouri claiming a refund based on the number of days worked outside Kansas City, Missouri for tax years 2017 through 2021:

Tax Year	Total Working Days	Days Worked Outside KCMO	Nonresident Percentage
2017	260	100	38.46%
2018	260	80	30.77%
2019	260	125	48.77%
2020	260	200	76.92%
2021	260	218	83.85%

On December 31, 2021, Steve exercised nonqualified stock options from Stern Mart, Inc. The fair market value of the shares at date of exercise exceeded the grant price by \$100,000. Stern Mart, Inc. included this \$100,000 as compensation on Steve's 2021 federal Form W-2. The options were granted on May 31, 2017 and were fully vested on June 1, 2019. The options had no readily ascertainable fair market value at the time of grant.

Dates	Events
2017 - 2021	Lived in Overland Park, Kansas, and worked partially in Kansas City, Missouri
May 31, 2017	Options were granted
June 1, 2019	Options were fully vested
December 31, 2021	Exercised stock options

\$44,250 of the nonqualified stock options would be subject to the earnings tax based on the submitted Wage Returns from the grant date through the exercise date. The taxpayer had a historical nonresident percentage average of 55.75% from the spread period of when the options were granted through exercised. When applied to the stock options of \$100,000 x .5575 = \$55,750 were earned when working outside Kansas City, Missouri. \$100,000 - \$55,750 = \$44,250 earnings taxable to Kansas City, Missouri.

- (B) *Nonqualified stock options.* Typically nonqualified stock options will be subject to a vesting schedule tied to continued employment or the attainment of certain performance standards. Nonqualified stock options are subject to the earnings tax after they have vested and their fair market value is readily ascertainable. If the options have no readily ascertainable fair market value at the time of grant, the options will be taxed in the year they are exercised. The measure of earnings subject to tax is equal to the fair market value of the stock at the time of exercise less the option price (also known as the strike price). Any capital gain recognized for federal income tax purposes on the actual sale or disposition of the stock will not be subject to the earnings tax.
- (C) *Statutory stock options.* Compensation from the exercise of statutory stock options is taxable, but only if the taxpayer makes a disqualifying disposition of the stock by selling it within two years of the date of grant or within one year of the date of exercise. In such case, the amount of taxable earnings is equal to the fair market value of the shares at the time of sale less the option price of the shares.
- (D) If at the time the option was granted, the option price per share was less than 100% (but not less than 85%) of the fair market value of the share, and the share is disposed of after meeting the holding period requirement described in section 1.382(d)(8)(C) of these regulations, or the taxpayer dies while owning the share, earnings will include the lesser of:
- The amount, if any, by which the price paid under the option was less than the fair market value of the share at the time the option was granted, or
  - The amount, if any, by which the price paid under the option was less than the fair market value of the share at the time of the disposition or death.
- (E) The fair market value of restricted shares is taxable compensation for purposes of the earnings tax in the year in which the shares are no longer subject to substantial risk of forfeiture.
- (i) If an Internal Revenue Code section 83(b) election is made, the fair market value of the restricted shares is taxable in the year of grant.
- (ii) Dividends paid on restricted shares are taxable until the shares are no longer subject to substantial risk of forfeiture, unless an Internal Revenue Code section 83(b) election has been made. If an Internal Revenue Code section 83(b) election has been made, the dividends are not taxable as compensation.

- (9) Employer-provided adoption benefits, but only to the extent that they are not excluded from federal income tax.
- (10) Cost of employer-provided group term life insurance of more than \$50,000 in coverage.
- (11) The fair market value of employer-provided health insurance coverage for nondependent domestic partners shall be included in earnings; however, the fair market value of employer-provided health insurance coverage for dependents and spouses (including same-sex spouses) shall not be considered earnings.
- (12) Payments upon termination of employment, such as severance pay and payments for accrued vacation and sick pay, change of control, and golden parachute payments. All amounts earned while a resident of Kansas City, Missouri and all amounts earned within Kansas City, Missouri while a nonresident are taxable, regardless of the taxpayer's residency at the time received.
- (13) Reimbursements and allowances paid by an employer for an employee's moving expenses, whether to a third party or directly to the employee.
  - (A) If reimbursement is made under an accountable plan, only reimbursements for expenses that would not be deductible by the employee on his federal tax return are taxable.
  - (B) If reimbursement is made under a nonaccountable plan, the entire reimbursement is taxable.
- (14) Amounts eligible for the foreign earned income and the foreign housing exclusion on the federal return are taxable for any year in which the employee is domiciled in Kansas City, Missouri.
- (15) Fringe benefits that are taxable on the federal return are subject to the earnings tax imposed by Kansas City, Missouri.
- (16) Amounts received by members of the clergy are taxed as follows:
  - (A) Wages and salaries are taxable earnings subject to the earnings tax on wages.
  - (B) Taxable amounts subject to the tax on profits include:
    - (i) Fees and offerings made by individuals for performance of ceremonies such as baptisms, weddings, and funerals.

- (C) Excluded from the earnings tax are:
- (i) The rental value of a home (parsonage) furnished as part of his or her compensation, to the extent excluded by Section 107 of the Internal Revenue Code and the Treasury Regulations, or;
  - (ii) Amounts received as a housing allowance (parsonage allowance), to the extent excluded by Section 107 of the Internal Revenue Code and the Treasury Regulations.
- (D) Amounts not considered received by the individual member but by the religious order or organization under a vow of poverty are exempt from the Kansas City, Missouri earnings tax.
- (e) Net profits from the operation of a business, profession or other enterprise, whether incorporated or unincorporated, shall be determined as follows:
- (1) Unless otherwise provided herein, net profits shall be determined by deducting the necessary expenses of operation from the gross profits or earnings, using the same accounting methods utilized by the taxpayer for federal income tax purposes.
  - (2) Net profits shall not include:
    - (A) Net earnings and profits attributable to those items of income which are exempt from the tax as provided in section 1.385 of these regulations.
    - (B) Loss carryover amounts from other tax periods, whether net operating losses or capital losses, even if allowed for federal or state income tax purposes.
  - (3) Profits shall include all amounts deemed to be earned regardless of the characterization or classification of the income, unless such items are specifically exempt from tax under section 1.385 of these regulations. In the case of a pass-through entity such as a partnership, the determination of whether profits are earned is made at the entity level rather than at the individual level.
  - (4) Net profits from interest, dividends, rent or royalties shall generally be treated as unearned, but if after review of the facts the Commissioner finds that the interest, dividends, rent, or royalties were received for work done, services performed or rendered, or business or other activities conducted by the taxpayer, the Commissioner may determine that the net profits derived therefrom were earned.

- (5) Only the necessary expenses of operation shall be deducted to determine the net profits subject to the earnings tax. Deductions allowed for determining federal taxable income shall not be used to calculate net profits for purposes of the earnings tax unless those federal tax deductions are necessary expenses of operation. The following items are not considered necessary expenses of operation and are not allowed as deductions when calculating the profits subject to the Kansas City, Missouri tax on earnings and profits:
- (A) Taxes paid unless they are directly connected with the business. In addition, the following taxes are not deductible from profits:
    - (i) Tax paid under the earnings tax ordinance.
    - (ii) Federal, State or other taxes based upon income, earnings, or profits.
    - (iii) Gift, estate, and inheritance taxes.
    - (iv) Taxes or assessments for direct benefits or improvements to property that tend to appreciate the value thereof.
  - (B) Premiums for life insurance policies on the lives of officers or employees of a corporation where the corporation is a beneficiary.
  - (C) Expense incurred on behalf of or for the benefit of a business, profession, enterprise or venture, incorporated or unincorporated, other than the taxpayer.
  - (D) Salary, payment, or withdrawal of a proprietor or of the partners, members, or other owners of an unincorporated business or enterprise, when such salaries, payments, or withdrawals are not required to be reported as wages or earned income for federal income tax purposes.
  - (E) Capital gains and losses from the sale, exchange, or other disposition of property used in the trade or business shall not be taken into consideration in arriving at net profits earned. However, any amount received on a sale or other disposition of property used in business, in excess of its adjusted basis, shall be treated as taxable net profits to the extent of depreciation allowed or allowable. The balance shall be treated as unearned capital gains.
    - (i) Gains or losses from involuntary conversions shall not be taken into consideration in arriving at net profits.
    - (ii) For purposes of this Regulation, the term “property used in the trade or business” means:



(I) Property used in the trade or business of a character which is subject to the allowance for depreciation which is not a copyright, a literary, musical, or artistic composition, or similar property held by the taxpayer.

(II) Real property used in the trade or business.

(iii) Example 1:

In conducting its manufacturing business, the taxpayer systematically replaces automobiles, machines, and other equipment used in the business. The gains or losses resulting from those sales are not considered subject to the earnings tax for profits tax purposes, except to the extent of recapture of depreciation claimed by the taxpayer.

(iv) Example 2:

The taxpayer constructed a plant for use in its manufacturing business and 20 years later sold the property at a gain while it was in operation by the taxpayer. The gain is not subject to the earnings tax for profits tax purposes except to the extent of the recapture of depreciation claimed by the taxpayer.

(F) The deduction under Section 199 of the Internal Revenue Code for income attributable to domestic production activities shall not be allowed as a deduction in computing net profits.

(G) Expenses related to the production of income exempt from the earnings tax shall not be allowed as deductions in computing net profits unless the taxpayer establishes such expenses are necessary expenses of operation.

(i) Personal expenses, including but not limited to retirement contributions, self-employment taxes and health insurance premiums are not deductible since these expenses are incurred for the benefit of the owner and are not considered necessary for the operation of the business.

### **§1.383 Allocation of earnings of nonresident individuals.**

The earnings subject to tax of any nonresident individual in any case in which the work done or the services performed or rendered is both within and outside the city shall be ascertained as follows:

(a) If the amount of such earnings depends primarily upon the amount of time devoted by such individual, then the portion of such earnings subject to tax shall

be that portion of such earnings which the total number of days worked within the city bears to the total number of days worked within and outside the city.

- (1) Any day that the taxpayer renders or performs any services in the city (in part or whole) will be treated as a day worked in the city.
- (2) The taxable portion of earnings is calculated by multiplying the gross taxable earnings by a fraction, the numerator of which is the number of days spent working in Kansas City, Missouri, and the denominator of which is the total working days (including holidays, vacation days, sick days and paid or unpaid leave).

(A) Example:

Raymond Cohen works for Phelps Training, Inc. Raymond lives in Platte City, Missouri and travels regularly to conduct training seminars for the public. Phelps has its corporate offices in Kansas City, Missouri and Raymond works from the corporate office when he is not traveling. Raymond's taxable compensation for the year was \$48,000. His work days were:

100 days traveling (no time in Kansas City, Missouri on these days)  
128 days in Kansas City, Missouri for part or all of the day  
15 vacation days  
11 holidays and personal days  
6 sick days  
260 total days

160 days allocated to Kansas City, Missouri  $\div$  260 total days actively working = .6154 x \$48,000 = \$29,539 earnings taxable to Kansas City, Missouri.

- (3) An employee will be treated as working five days per week unless either:
  - (A) The taxpayer has maintained contemporaneous records establishing a different number of days worked. In such case, the actual number of days worked by the employee shall be used; or
  - (B) The taxpayer's employer has documented a different number of days as being standard for the taxpayer's position. In such case, the number of days per week established by the employer for the taxpayer's position shall be used.
- (i) Example 1:

Jones Printing schedules salaried supervisors so that each works four twelve hour shifts each week. The total number of work days for a Jones supervisor is 208 (4 days per week x 52 weeks per year).

(ii) Example 2:

Super Convenience Stores requires managers to work six days per week. The total number of work days for a Super manager is 312 (6 days per week x 52 weeks per year).

- (4) Deferred payments, nonqualified deferred compensation or stock options that were earned in full or part during periods of residence within Kansas City, Missouri or for work performed in Kansas City, Missouri are subject in full or part to the earnings tax imposed by Kansas City, Missouri.

- (A) If the taxpayer has maintained adequate records to determine that amounts are directly attributed to a specific period of residency or nonresidency, deferred payments shall be allocated to the specific period identified. If allocated to a period of nonresidency, amounts shall be further allocated based on actual days worked within the city and actual days worked outside the city during the period in which the compensation was earned, based on the taxpayer's records.

(i) Example 1:

Jeremy Purcell lived in Kansas City, Missouri from July 1, 2017 through April 30, 2019. On July 1, 2017, he began working for Carlisle, Inc., at their office in Kansas City, Missouri. On May 1, 2019, Carlisle transferred him to Springfield, Missouri. He continued working for Carlisle until his position was eliminated on March 15, 2021. As part of his termination, he received \$1,500 in vacation pay. Carlisle does not allow employees to carry unused vacation days over from year to year; all must be used by the end of the calendar year or they are forfeited.

<b>Dates</b>	<b>Events</b>
July 1, 2017-April 30, 2019	Lived in Kansas City, Missouri
July 1, 2017-April 30, 2019	Worked in Kansas City, Missouri
May 1, 2019-present	Lived in Springfield, Missouri
May 1, 2019-March 15, 2021	Worked in Springfield, Missouri
March 15, 2021	Position eliminated

None of Jeremy's vacation pay is taxable to Kansas City, Missouri because none of it was earned while he lived in Kansas City, Missouri

(because Carlisle does not allow vacation days to be carried over to the next calendar year, all of the vacation pay was earned in 2021 in Springfield).

(ii) Example 2:

Joseph O'Reilly lived in Kansas City, Missouri his entire life until he married and moved to Independence, Missouri, on June 28, 2021. He works for Alton Manufacturing in the City of North Kansas City, Missouri. On July 25, Joseph received a bonus check from Alton representing an annual bonus paid for the period June 1, 2020 through May 31, 2021.

<b>Dates</b>	<b>Events</b>
Through June 27, 2021	Lived in Kansas City, Missouri
June 1, 2020- May 31, 2021	Period during which bonus was earned
June 28, 2021	Moved to Independence, Missouri
July 25, 2021	Received bonus check

The payment is fully taxable to Kansas City, Missouri because all amounts were earned while Joseph lived in Kansas City, Missouri although they were received after he moved to Independence, Missouri.

- (B) If the taxpayer has not maintained adequate records related to periods of residency and nonresidency, deferred payments shall be allocated as taxable or nontaxable based on the taxpayer's filing history for the preceding five taxable years.
- (C) If the taxpayer was a resident for the entire period and filed no tax returns because all tax due had been withheld, the entire amount of the deferred payment is taxable.
- (D) If the taxpayer was a nonresident the entire period and filed no tax returns because he performed no services in Kansas City, Missouri and owed no earnings tax imposed by Kansas City, Missouri, then none of the deferred payment is taxable.
- (E) If the taxpayer was a nonresident some years and a resident other years, then the deferred payment will be allocated based on a fraction. The numerator of the fraction shall be the total number of days shown on nonresident tax return as days worked in Kansas City, Missouri plus 260 days for each year that the taxpayer was a resident of the city the entire year. The denominator shall be the total number of days shown on

nonresident returns as days worked everywhere plus 260 days for each year that the taxpayer was a resident of the city the entire year.

- (F) In the case where a current nonresident was a resident of Kansas City, Missouri but did not work in Kansas City, Missouri, amounts that cannot be directly attributed to periods of residency or nonresidency shall be allocated according to the ratio of days of residency to days of nonresidency.

(i) Example:

Amy Manoc lived in Kansas City, Missouri from September 8, 2017 through April 30, 2019. On September 8, 2017, she began working for Broker, Inc., at their office in Raytown, Missouri. On May 1, 2019, Broker transferred her to Wichita, Kansas. She continued working for Broker until her position was eliminated on March 15, 2021. As part of her termination, she received a \$10,000 lump sum termination payment on April 1, 2021.

Dates	Events
September 8, 2017 – April 30, 2019	Lived in Kansas City, Missouri
September 8, 2017 – April 30, 2019	Worked for Broker in Raytown
May 1, 2019 – March 15, 2021	Lived and worked in Wichita, Kansas
April 1, 2021	Received severance payment of \$10,000

Amy lived in Kansas City, Missouri for 600 days and she lived in Wichita for 685 days. Her severance pay is not directly attributable to any specific period of employment, and the amount taxable to Kansas City, Missouri, is allocated based upon the number of days she lived in Kansas City, Missouri while working for Broker. Of her \$10,000 severance payment, \$4,669 is taxable to Kansas City, Missouri (600 days lived in Kansas City, Missouri ÷ 1285 days total employment with Brokers).

- (G) In the case where a nonresident worked in part in Kansas City, Missouri and in part outside of Kansas City, Missouri, payments shall be allocated based on time worked in Kansas City, Missouri taking into account the days worked outside Kansas City, Missouri per the taxpayer's records.
  - (i) If the taxpayer does not have records for the entire period to which the payment is attributed, the allocation shall be based on the days worked outside Kansas City, Missouri for the employer as shown on the tax returns for the Kansas City, Missouri earnings tax filed for the last five taxable years to which the payment is attributed.

(ii) Example 1:

Julia Ramos has lived in Grandview, Missouri all her life. She worked for Jones Computing, located in Kansas City, Missouri, from June 18, 2012 until February 12, 2021, when she accepted an early buy-out offer. The early buy-out gave Julia a one-time cash settlement of \$120,000, which she received on May 1, 2021. Julia did not keep records of her days worked outside Kansas City, Missouri for the entire period of her employment with Jones.

Dates	Events
All dates	Lived in Grandview, Missouri
June 18, 2012 – February 12, 2021	Worked for Jones in Kansas City, Missouri
February 12, 2021	Early buy-out offer
May 1, 2021	Received cash settlement of \$120,000

Julia traveled frequently as part of her job, and her prior year tax returns for Kansas City, Missouri for the last five years of her employment showed the following:

Year	Days Worked Outside of KC	Total Days Worked
2017	79	260
2018	83	260
2019	62	260
2020	98	260
2021	14	30
Total	336	1070

During the five years ending in 2021, Julia worked a total of 734 days in Kansas City, Missouri (1,070 total days worked 2017 through 2021 – 336 days worked outside of Kansas City, Missouri).

Of the \$120,000 settlement, 68.60 % (\$82,320) is taxable to Kansas City, Missouri (734 days worked in Kansas City, Missouri ÷ 1,070 total days worked = .6860).

(iii) Example 2:

Carmine Moretti lived in Mission Hills, Kansas from 2015 through 2020. During that time, he worked for Mandel, Inc. in Kansas City, Missouri. According to Carmine, he traveled regularly for work and was working outside the city about 10 percent of each year. Carmine

never filed a tax return for Kansas City, Missouri claiming a refund of any of the taxes that had been withheld. He has not maintained any records of the time worked in Kansas City, Missouri and the time worked outside Kansas City, Missouri.

On June 6, 2019, Carmine exercised nonqualified stock options from Mandel, Inc. The fair market value of the shares at date of exercise exceeded the grant price by \$100,000. Mandel, Inc. included this \$100,000 as compensation on Carmine’s 2018 federal Form W-2. The options were granted on May 31, 2016 and were fully vested on June 1, 2019. The options had no readily ascertainable fair market value at the time of grant.

<b>Dates</b>	<b>Events</b>
2015 through 2020	Lived in Mission Hills, Kansas and worked in Kansas City, Missouri
May 31, 2016	Options were granted
June 1, 2019	Options were fully vested
June 6, 2019	Exercised stock options

The full \$100,000 is earnings subject to the earnings tax because Carmine did not file any Kansas City, Missouri tax returns or maintain any records to establish any days he may have worked outside of Kansas City, Missouri.

(H) In the case where a nonresident who received a deferred payment from an employer had earned the deferred payment during periods of both residency and nonresidency and had worked:

- In part in Kansas City, Missouri while a nonresident of Kansas City, Missouri.
- In part outside of Kansas City, Missouri while a nonresident of Kansas City, Missouri.

Step One: Payments shall first be divided between periods of residency or nonresidency to the extent they can be directly attributed to each.

Step Two: Remaining amounts shall be allocated according to the ratio of days of residency to days of nonresidency.

Step Three: Amounts allocated to the period of nonresidency shall be further allocated based on the ratio of days worked in Kansas City, Missouri to the days worked outside of Kansas City, Missouri during periods of nonresidency, per the taxpayer’s records. If the taxpayer does

not have records for the entire period of nonresidency, the allocation shall be based on the ratio of days worked inside Kansas City, Missouri to total days worked as shown on the Kansas City, Missouri tax returns filed for the last five taxable years to which the payment is attributed.

(i) Example:

Terry Norton worked full-time for Elm Enterprises from January 1, 2008 through December 31, 2019, when her position was eliminated. Her severance package provided one month's pay for each full year worked full-time, to a maximum of twelve years, paid monthly over the next 12 months. Terry's residence and work locations were:

<b>Dates</b>	<b>Residence</b>	<b>Work</b>
January 1, 2008 – December 31, 2011	Oakland, California	San Francisco, California
January 1, 2012 – December 31, 2013	Kansas City, Missouri	Kansas City, Missouri
January 1, 2014 – December 31, 2019	Parkville, Missouri	Kansas City, Missouri

While working in Kansas City, Missouri, Terry sometimes worked in locations outside the city.

In calculating the source of the severance payments:

- Four years (2008 – 2011) are not attributable to Kansas City, Missouri (lived and worked in California).
- Two years (2012 – 2013) are fully attributable to Kansas City, Missouri (lived and worked in Kansas City, Missouri).
- Six years (2014 – 2019) are attributable to Kansas City, Missouri as a nonresident and must be allocated between time worked in the city and time worked outside the city. Assume Terry kept a record of her days worked inside and outside Kansas City, Missouri for this entire six-year period.

Terry's work days within Kansas City, Missouri for her six years that she resided in Parkville were:

- 2014 = 190 of 260 days
  - 2015 = 195 of 260 days
  - 2016 = 199 of 260 days
  - 2017 = 185 of 260 days
  - 2018 = 203 of 260 days
  - 2019 = 198 of 260 days
- Total = 1170 of 1560 days



The amount of each severance check is \$6,000, payable on the last day of the month. Terry received her first severance payment on January 31, 2020. In 2015, Terry received all twelve severance checks (total = \$72,000), representing severance pay for twelve years' work.

**Step One (divide between periods of residency and nonresidency):**

Residence	Years	Payments
California	4	\$24,000
Kansas City	2	\$12,000
Parkville	6	\$36,000

- \$24,000 is attributable to California and is not taxable to Kansas City, Missouri.
- \$12,000 is fully attributable to Kansas City, Missouri and is fully taxable to Kansas City, Missouri.
- \$36,000 is partly taxable to Kansas City, Missouri.

**Step Two (allocate amounts that are not directly attributable to a specific period):**

Terry has no amounts that cannot be directly attributable to a specific period, so this step is skipped.

**Step Three (allocate nonresident days based on days worked in the city):**

During the six years ending when payments began in 2020, Terry worked a total of 1170 out of 1560 days (75%) in Kansas City, Missouri. Of the \$36,000 that is partly taxable to Kansas City, Missouri, 75% (\$27,000) is taxable to Kansas City, Missouri.

Of the total \$72,000 severance pay that Terry will receive, \$39,000 (\$12,000 fully allocated to residence in Kansas City, Missouri + \$27,000 partially allocated based on work in Kansas City, Missouri) is subject to the earnings tax imposed by Kansas City, Missouri.

- (5) If the taxpayer is employed by multiple employers concurrently, the amount subject to Kansas City, Missouri earnings tax shall be calculated separately for each employer, following the methods in this section. For each employer, a taxpayer will be treated as having worked in Kansas City, Missouri for any day or part of the day worked in Kansas City, Missouri for that employer. Amounts paid under the same employer identification number are considered amounts paid by the same employer.

(A) Example 1:

Shelley Heath lives in Lee's Summit, Missouri and works full-time for Brindle Brothers, Inc., in Kansas City, Missouri. During the taxable year, she did not work in any other locations for Brindle Brothers. During the holiday season, she works part-time for Hip Clothing stores at their Lee's Summit location. Shelley's earnings from Brindle Brothers are fully taxable to Kansas City, Missouri, but none of her earnings from Hip Clothing are taxable to Kansas City, Missouri.

(B) Example 2:

Lincoln Beaumont lives in Overland Park, Kansas. He works full-time as a meeting planner for Hander Corporation, located downtown in Kansas City, Missouri. Lincoln traveled outside the city for work 126 days this year. Lincoln also works at the box office for the Renaissance Festival in Bonner Springs, Kansas. None of Lincoln's earnings from the Renaissance Festival are taxable to Kansas City, Missouri. His earnings from Hander Corporation are allocated based on days worked in Kansas City, Missouri and days worked outside of Kansas City, Missouri.

(b) Other methods. If it is impracticable to apportion such earnings as put forth in subsection (a) of this section or if such apportionment does not result in a clear reflection of city earnings, other methods of allocation, as defined in these regulations, may be used. However, the final determination of the proper allocation method to be used by a taxpayer may be made by the Commissioner.

(1) *Nonresident athletes*. If the nonresident is employed by a professional athletic team, whether as an athlete, coach, manager or trainer, and spent any days working in Kansas City, Missouri, a portion of that nonresident's earnings shall be taxable.

(A) Taxable earnings include, but are not limited to:

- (i) Exhibition and regular playing season salaries and wages.
- (ii) Guaranteed payments.
- (iii) Strike benefits.
- (iv) Deferred payments.
- (v) Severance pay, termination pay, contract or option year buy-out payments.
- (vi) Bonuses, except for nonforfeitable signing bonuses.

- (I) *Nonforfeitable signing bonus*. If the signing bonus is paid to the athlete solely for signing the first contract with the team, and without any requirement of subsequent service, the bonus is not considered earnings.
  - (II) *Forfeitable signing bonus*. If the signing bonus is predicated on subsequent service by the player or upon being retained by the club for a specified time, it will be considered earnings.
- (vii) Pay received for services rendered in a championship or playoff game.
- (B) The amount that shall be taxable shall be determined by the number of duty days in Kansas City, Missouri during the taxable year as a fraction of the total number of duty days worked everywhere during the taxable year.
- (i) The term “duty days” shall mean all days during the taxable year from the beginning of the professional athletic team’s official pre-season training period through the last game in which the team competes or is scheduled to compete.
  - (ii) Duty days shall also include days on which a member of a professional athletic team renders a service for a team on a date which does not fall within the aforementioned period (e.g., participation in instructional leagues, the “Pro Bowl” or promotional caravans). Rendering a service includes conducting training and rehabilitation activities, but only if conducted at the facilities of the team.
  - (iii) Included within duty days shall be game days, practice days, days spent at team meetings, promotional caravans and pre-season training camps, and days served with the team through all post-season games in which the team competes or is scheduled to compete.
  - (iv) Travel days that do not involve either a game, practice, team meeting, promotional caravan or other similar team event are not considered duty days spent in Kansas City, Missouri. However, such travel days shall be included in the total duty days spent everywhere.
  - (v) Duty days for any person who joins a team during the season shall begin on the day such person joins the team, and for any person who leaves a team shall end on the day such person leaves the team. When a person switches teams during a taxable year, a separate duty day calculation shall be made for the period such person was with each team.

- (vi) Days for which a member of a professional athletic team is not compensated and is not rendering services for the team in any manner, including days when such member of a professional athletic team has been suspended without pay and prohibited from performing any services for the team, shall not be treated as duty days.
  - (vii) Days for which a member of a professional athletic team is on the disabled list, does not conduct rehabilitation activities at facilities of the team in Kansas City, Missouri and is not otherwise rendering services for the team in Kansas City, Missouri shall be presumed not to be duty days spent in Kansas City, Missouri. However, all days on the disabled list shall be included in total duty days spent everywhere.
  - (viii) In the case of severance pay, termination pay, contract or option year buy-out or similar payment, the portion of such payment subject to earnings tax shall be calculated as a fraction, the numerator of which is the number of duty days in Kansas City, Missouri during the term of the contract and the denominator of which is the total number of duty days everywhere during the term of the contract.
- (2) *Nonresident entertainers.* The income of non-resident entertainers who spend any days working in Kansas City, Missouri, shall be in part taxable to Kansas City, Missouri.
- (A) Taxable earnings consist of the entire amount received for performances, engagements or events that occurred in Kansas City, Missouri.
  - (B) In the case of a non-resident entertainer who is not paid specifically for a performance, the income earned and subject to the tax is the total annual compensation multiplied by a fraction:
    - (i) The numerator of the fraction is the number of days the entertainer worked (or was available to work, as, for example with understudies) in Kansas City, Missouri.
    - (ii) The denominator of the fraction is the total number of days which the entertainer worked (or was available to work, as, for example with understudies) in all locations during the taxable year.
- (c) The allocation methods described in this section are for nonresident individuals filing Wage Earner Returns for employee earnings, and do not pertain to the net profits of businesses or self-employed individuals. For allocation of net profits, see section 1.384.

**§1.384 Allocation of net profits of business.**

- (a) The net profits subject to tax of any business, including any corporation or unincorporated entity, conducted in whole or in part by nonresidents of the city, in any case in which the work done, services performed or rendered, and business or other activities conducted are done, performed, rendered or conducted both within and without the city, shall be determined as set forth in these regulations.
  - (1) The portion of the entire net profits of such taxpayer subject to tax in Kansas City, Missouri shall be determined by multiplying the taxpayer's entire net profits, as computed under these regulations, by an allocation percentage which shall be determined by the formula method based upon the average of the taxpayer's property factor, payroll factor, and gross receipts factor, as provided herein.
    - (A) In the case of a pass-through entity, such as a partnership, that is subject to this tax by passing through net profits to the individual partners or owners, the allocation of net profits to Kansas City, Missouri shall be determined by taking into account the passthrough entity's ratio of property, payroll and gross receipts as determined under these regulations. A nonresident taxpayer who receives profits from such a pass-through entity shall include the full amount of the entity's allocated profits, to the extent of his proportionate profit sharing ratio therein, in determining his individual net profits for purposes of this tax, and shall not further allocate the profits derived from the pass through entity on the basis of the owner's individualized allocation percentage for the city. Further, the property, payroll and gross receipts factors of the pass-through entity shall not be included in the determination of the owner's allocation percentage for this city as they will already be reflected in the amount passed through by the partnership.
    - (B) *Property factor.* The property factor is the percentage which the average value (as determined in accord with this section) of real and tangible personal property owned and used or rented and used in the taxpayer's business and situated within the city during the period covered by the taxpayer's return is of the average value of all real and tangible personal property, owned and used or rented and used in the business wherever situated during the period covered by the return. The term real and tangible personal property includes land, buildings, leasehold improvements, machinery, stocks of goods, equipment, and other real and tangible personal property, but does not include coin or currency.
      - (i) Property shall be included in the factor if it is actually used or is available for or capable of being used during the tax period in the regular course of the trade or business of the taxpayer.

- (I) Property held as reserves or standby facilities or property held as a reserve source of materials shall be included in the factor. For example, a plant that is temporarily idle or raw material reserves not currently being processed are includable in the factor.
- (II) Property or equipment under construction during the tax period (except inventory type goods in process) shall be excluded from the factor until that property is actually used in the regular course of the trade or business of the taxpayer. If the property is partially used in the regular course of the trade or business of the taxpayer while under construction, the value of the property to the extent used shall be included in the property factor.
- (III) Property used in the regular course of the trade or business of the taxpayer shall remain in the property factor until its permanent withdrawal is established by an identifiable event such as its sale or conversion to another use, or the lapse of an extended period of time (normally five years) during which the property is held for sale.

(IV) Example 1:

The taxpayer closed its manufacturing plant and held the property for sale. The property remained vacant until its sale one year later. The value of the manufacturing plant is included in the property factor until the plant is sold.

(V) Example 2:

The taxpayer closed its manufacturing plant and held the property for sale. The property was rented until the plant was sold. The plant is included in the property factor until the plant is sold.

- (ii) The percentage of taxpayer's real and tangible personal property within the city is determined by dividing the average value of said property within the city (without deduction of any encumbrances) by the average value of all such property within or without the city. If the denominator of this factor is zero, the factor shall not be considered in determining the allocation percentage under the formula method.
- (I) As a general rule the average value of property owned by the taxpayer shall be determined by averaging the values at the beginning and ending of the tax period. However, the Commissioner may require or allow averaging by monthly or other periodic values if that method of averaging is required to properly

reflect the average value of the taxpayer's property for the tax period.

- (II) The numerator of the property factor shall include the average value of the real and tangible personal property owned or rented by the taxpayer and used in this city during the tax period in the regular course of the trade or business of the taxpayer.
  - (a) Property in transit between locations of the taxpayer to whom it belongs shall be considered to be at the destination for purposes of the property factor.
  - (b) Property in transit between a buyer and seller which is included by a taxpayer in the denominator of its property factor in accordance with its regular accounting practices shall be included in the numerator according to the city of destination. Property not in the denominator shall not be included in the numerator.
  - (c) The value of mobile or movable property, such as construction equipment, trucks or leased electronic equipment, which is located within and outside of Kansas City, Missouri during the tax period shall be determined for purposes of the numerator of the property factor on the basis of total time within the city during the tax period.
  - (d) An automobile assigned to a traveling employee shall be included in the numerator of the factor if the employee's compensation is assigned to Kansas City, Missouri under the payroll factor.
- (iii) Property owned by the taxpayer shall be valued at its original cost. As a general rule "original cost" is deemed to be the basis of the property for federal income tax depreciation purposes at the time of acquisition by the taxpayer and adjusted by subsequent capital additions or improvements thereto and partial disposition thereof, by reason of sale, exchange, abandonment, and the like. If the original cost of the property is not ascertainable, the property is included in the factor at its fair market value as of the date of acquisition by the taxpayer.

(I) Example 1:

The taxpayer acquired a factory building in Kansas City, Missouri at a cost of \$500,000 and 18 months later expended \$100,000 for major remodeling of the building. Taxpayer filed its return for the current taxable year on the calendar-year basis. A depreciation

deduction in the amount of \$22,000 was claimed on the building for its return for the current taxable year. The value of the building includable in the numerator and denominator of the property factor is \$600,000 as the depreciation deduction is not taken into account in determining the value of the building for purposes of the factor.

(II) Example 2:

During the current taxable year, X Corporation merges with Y Corporation in a tax-free reorganization under the Internal Revenue Code. At the time of the merger, X Corporation owns a factory which X built five years earlier at a cost of \$1,000,000. X has been depreciating the factory at the rate of two percent per year, and its adjusted basis in X's hands at the time of the merger is \$900,000. Since the property is acquired by Y in a transaction in which, under the Internal Revenue Code, its basis in Y's hands is the same as its basis in X's hands, Y includes the property in Y's property factor at X's original cost of \$1,000,000, without adjustment for depreciation.

(III) Example 3:

Corporation Y acquires the assets of Corporation X in a liquidation that entitles Y to use its stock cost as the basis of the X assets under Section 334(b)(2) of the Internal Revenue Code (that is, stock possessing 80% control is purchased and liquidated within two years). Under these circumstances, Y's cost of the assets is the purchase price of the X stock prorated over the X assets.

- (iv) Inventory of stock of goods shall be included in the factor in accordance with the valuation method used for federal income tax purposes.
- (v) Property acquired by gift or inheritance shall be included in the factor at its basis for determining depreciation for federal income tax purposes.
- (vi) In determining the property factor percentage, property rented to the taxpayer as well as real and tangible personal property owned by the taxpayer must be considered.
- (vii) Property rented to the taxpayer is valued at eight times its net annual rental rate. The net annual rental rate for any item of property is the annual rental rate paid by the taxpayer for the property less the aggregate annual subrental rates paid by subtenants of the taxpayer. Subrents are not deducted, however, if they are attributable to property



used in the regular course of a trade or business of the taxpayer, because the subrents produce income in connection with such trade or business. Accordingly, there is no reduction in its value.

(I) Example 1:

The taxpayer operates a food market. The taxpayer pays rent to a third party for the occupancy of the market and receives subrents from a bakery concession in a food market operated by the taxpayer. The bakery operation is part of the taxpayer's regular trade or business of operating a food market. The subrents are therefore not deducted from rent paid by the taxpayer for the food market.

(II) Example 2:

The taxpayer pays rent for a 20-story office building and uses only the lower two stories for its general headquarters. The remaining 18 floors are subleased to others. The rental of the 18 floors is not incidental to, but rather is separate from, the taxpayer's regular trade or business operations. The subrents are deducted from the rent paid by the taxpayer.

(III) When property is rented for less than a 12-month period, the rent paid for the actual period of rental shall constitute the "annual rental rate" for the taxpayer. However, where the taxpayer has rented property for a term of 12 months and the current tax period covers a period of less than 12 months (due for example, to a reorganization or change of accounting period) the rent paid for the short term shall be annualized. If the rental term is for less than 12 months, the rent shall not be annualized beyond its term. Rent in this case shall not be annualized because of the uncertain duration when the rental term is on a month-to-month basis.

(a) Example 1:

Taxpayer A, which ordinarily files its returns on a calendar year basis, is merged into taxpayer B on April 30. The net rent paid under a lease with five years remaining is \$2,500 a month. The rent for the tax period January 1 to April 30 is \$10,000. After the rent is annualized, the net rent for Taxpayer A is \$30,000 ( $\$2,500 \times 12$ ).

(b) Example 2:

Same facts as in example 1 except that the lease would have terminated on August 31. In this case the annualized net rent is \$20,000 ( $\$2,500 \times 8$ ).

(IV) “Annual rent” is the actual sum of money or other consideration payable, directly or indirectly, by the taxpayer or for its benefit for the use or possession of the property and includes:

- (a) Any amount paid for the use or possession of real or tangible personal property, or any part thereof, whether designated as a fixed sum of money or a percentage of sales, profits, or otherwise.

Example: A taxpayer, pursuant to the terms of a lease, pays a lessor \$1,000 per month as base rent and at the end of the year pays the lessor one percent of its gross sales of \$400,000. The annual rent is \$16,000, consisting of \$12,000 for 12 monthly rental amounts of \$1,000 each, plus the \$4,000 paid as a percentage of sales ( $\$400,000 \times 1\% = \$4,000$ ).

- (b) Any amount paid as additional rent or in lieu of rents, such as interest, taxes, insurance, repairs, or other amounts which are required to be paid by the terms of a lease or other arrangement, not including amounts paid as service charges such as for utilities or janitorial services. If a payment includes rent and other charges unsegregated, the amount of rent shall be determined by consideration of the relative values of the rent and the other items. Annual rent does not include incidental day-to-day expenses such as hotel or motel accommodations, daily rental of automobiles and the like.

(1) Example 1: A taxpayer, under the terms of a lease, pays the lessor \$12,000 a year rent plus taxes in the amount of \$2,000 and interest on a mortgage in the amount of \$1,000. The annual rent is \$15,000.

(2) Example 2: A taxpayer stores part of its inventory in a public warehouse. The total charge for the year was \$1,000, of which \$700 was for the use of storage space and \$300 for inventory insurance, handling and shipping charges, and cash on delivery collections. The annual rent is \$700.

(V) If substantial fluctuations in the values of the property exist during the tax period or if property is acquired after the beginning of the tax period or disposed of before the end of the tax period, averaging using monthly values will generally apply.

(VI) If the subrents that are taken into account in determining the net annual rental rate under these regulations produce a negative or clearly inaccurate value for any item of property, another method that will properly reflect the value of rented property may be required by the Commissioner or requested by the taxpayer. In no case, however, shall that value be less than an amount which bears the same ratio to the annual rental rate paid by the taxpayer for the property as the fair market value of that portion of the property used by the taxpayer bears to the total fair market value of the rented property.

(a) Example: The taxpayer rents a ten-story building at an annual rental rate of \$1,000,000. Taxpayer occupies two stories and sublets eight stories for \$1,000,000 a year. Each story of the building has market value equal to one-tenth of the total market value of the building. The net annual rental rate of the taxpayer must not be less than two-tenths (\$200,000 in this example) of the taxpayer's annual rental rate.

(VII) If property owned by others is used by the taxpayer at no charge or rented by the taxpayer for a nominal rate, the net annual rental rate for that property shall be determined on the basis of a reasonable market rental rate for the property.

(C) *Payroll factor.* The payroll factor is the percentage that the total salaries, wages, commissions and other compensation of employees within the city is of the total salaries, wages, commissions and other compensation of all the taxpayer's employees within and without the city, during the period covered by the taxpayer's profits tax return.

(i) Salaries, wages and other compensation shall be computed on the cash or accrual basis in accordance with the method of accounting used in the computation of the net profits of the taxpayer.

(I) The term compensation means wages, salaries, commissions and any other form of remuneration paid to employees for personal services. Payments made to independent contractors or any other persons not properly classifiable as employees are excluded. Only amounts paid directly to employees are included in the payroll factor. Amounts considered paid directly include the value of board, rent, housing, lodging and other benefits or services furnished to employees by the taxpayer in return for personal services; provided, that those amounts constitute income to the recipient under the federal Internal Revenue Code. In the case of employees not subject to the federal Internal Revenue Code, the

determination of whether the benefits or services would constitute income to the employees shall be made as though those employees are subject to the federal Internal Revenue Code.

- (II) Notwithstanding the taxpayer's method of accounting, compensation paid to employees may, at the election of the taxpayer, be included in the payroll factor by use of the cash method if the taxpayer is required to report such compensation under that method for unemployment compensation purposes.
- (ii) Payments made to an independent contractor or other person not properly classified as an employee are excluded from the factor.
- (iii) Amounts paid to employees include compensation paid to officers of a corporation, and includes all compensation to such employees or officers, whether paid in cash or property, or by other benefit.
- (iv) The denominator of the payroll factor includes the total compensation paid everywhere during the tax period. Accordingly, compensation paid to employees whose services are performed entirely within a jurisdiction where the taxpayer is not subject to taxation by Kansas City, Missouri is included in the denominator of the payroll factor.
- (v) Payroll Factor Numerator. Compensation is deemed to be attributable to Kansas City, Missouri if any one of the following tests, applied consecutively, is met:
  - (I) The employee's service for the employer is performed entirely within Kansas City, Missouri.
  - (II) The employee's service for the employer is performed both within and without Kansas City, Missouri, but the service performed without the city is incidental to the employee's service within the city. The word "incidental" means any service which is temporary or transitory in nature, or which is rendered in connection with an isolated transaction.
  - (III) If the employee's services are performed both within and without Kansas City, Missouri, the employee's compensation will be attributed to Kansas City, Missouri if:
    - (a) The employee's base of operations is in Kansas City, Missouri  
or

- (b) There is no base of operations in any city in which some part of the service is performed, but the place from which the service is directed or controlled is in Kansas City, Missouri; or
  - (c) The base of operations or the place from which the service is directed or controlled is not in any city in which some part of the service is performed but the employee's residence is in Kansas City, Missouri. The term "place from which the service is directed or controlled" refers to the place for which the power to direct or control is exercised by the taxpayer.
- (D) *Gross receipts factor.* The gross receipts factor is the percentage which the gross receipts of such taxpayer derived from business within the city during the period covered by its return is of the total of such gross receipts wherever derived for such tax period.

- (i) For purposes of this apportionment factor "gross receipts" includes all gross receipts derived by the taxpayer from transactions and activity in the regular course of its trade or business, unless such receipts are specifically excluded in this Regulation, and includes the total revenue derived from sales, work done, service rendered or performed, or rentals of property derived from any business activity that is subject to the profits tax.
- (ii) The numerator of the gross receipts factor shall include gross receipts attributable to the city and derived by the taxpayer from transactions and activity in the regular course of its trade or business. All interest income, service charges, carrying charges or time-price differentials charges incidental to the gross receipts shall be included regardless of the place where the accounting records are maintained or the location of the contract or other evidence of indebtedness.

Gross receipts derived from business within the city, and included in the numerator of the gross receipts factor, shall be the amount of gross receipts determined as follows:

- (I) Rents and royalties for the use of property. Gross receipts derived from rents, royalties or other charges for fees derived from the use of property that are subject to this tax under the provisions of these regulations shall be considered to be gross receipts from within Kansas City, Missouri as follows:
  - (a) Gross receipts from the sale, lease, or rental of real property are in Kansas City, Missouri if the real property is located in Kansas City, Missouri.

(b) Gross receipts from the rental, lease, or licensing of tangible personal property are in Kansas City, Missouri if the property is located in Kansas City, Missouri. The rental, lease, licensing or other use of tangible personal property is deemed to be a separate income producing activity for the rental, lease, licensing or other use of the same property while located in another city. Consequently, if property is inside or outside of Kansas City, Missouri during the rental, lease or licensing period, gross receipts attributable to Kansas City, Missouri shall be measured by the ratio which the property was physically present or was used in Kansas City, Missouri bears to the total time or use of the property everywhere during that period.

(1) Example: The taxpayer is the owner of 10 railroad cars. During the year, each railroad car was present in Kansas City, Missouri for all or part of the day on 50 days and each car was used for a total of 365 days. The total receipts for the use of the railroad cars were \$5,000,000. The receipts attributable to the use of the railroad cars in Kansas City, Missouri are a separate item of income and shall be determined as follows:

- 10 cars x 50 days each = 500 total days in Kansas City, Missouri.
- 10 cars x 365 days each = 3,650 total days used everywhere.
- 500 days in Kansas City, Missouri ÷ 3,650 total days everywhere = 13.70% use in Kansas City, Missouri.
- 13.70% x \$5,000,000 total receipts = \$685,000 receipts attributable to Kansas City, Missouri.

(c) Gross receipts from the licensing or other authorized use of patents, copyrights, secret processes and formulas, goodwill, trade-marks, trade-names, or trade brands, franchises, and other like intangible property shall be considered to be within Kansas City, Missouri, if the license is for the privilege of using the property within Kansas City, Missouri. Where the income within Kansas City, Missouri, cannot be reasonably determined on this basis, the income derived from such activities shall be considered to be derived from within Kansas City, Missouri, if:

(1) The income-producing activity which gave rise to the receipts is performed wholly within the city; or

(2) The income-producing activity is performed both within and without the city and a greater proportion of the income-producing activity is performed in the city than outside the city, based on costs of performance. The term “costs of performance” includes direct costs determined in a manner consistent with generally accepted accounting principles and in accordance with accepted conditions or practices in the taxpayer’s trade or business.

(d) Where the income producing activity with respect to gross receipts from intangible property cannot be readily identified or attributed to a geographic location, the income is excluded from both the numerator and denominator of the factor.

(II) The following sales of tangible personal property are in the city:

(a) Sales of tangible personal property to the United States Government shall be considered to be sales within this city if the property is shipped from an office, store, warehouse, factory, or other place of storage in the city and the purchaser is the United States Government. However, a sale made to a prime contractor or subcontractor, for a contract with the United States Government, does not constitute sales to the United States Government.

(1) Example 1:

A taxpayer contracts with the General Services Administration to deliver 15 trucks that were paid for by the United States Government. The trucks are shipped from a storage facility in Kansas City, Missouri. The sale is a sale to the United States Government and is considered to be a sale within Kansas City, Missouri.

(2) Example 2:

The taxpayer, as a subcontractor to a prime contractor with the National Aeronautics and Space Administration, contracts to build a component of a rocket for \$1,000,000. The taxpayer delivers the rocket component to the prime contractor outside Kansas City, Missouri. The sale by the subcontractor to the prime contractor is not a sale to the United States Government and is not considered to be a sale within Kansas City, Missouri.

- (b) All sales of property delivered or shipped to a purchaser within Kansas City, Missouri, regardless of the freight on board (f.o.b.) point or other conditions of the sale, other than sales to the United States government, are in Kansas City, Missouri:
- (c) Property shall be deemed to be delivered or shipped to a purchaser within Kansas City, Missouri, if the recipient is located in Kansas City, Missouri, even though the property is ordered from outside Kansas City, Missouri.
  - (1) Example: The taxpayer, with inventory in Oklahoma, sold \$100,000 of its products to a purchaser having branch stores in several locations, including Kansas City, Missouri. The order for the purchase was placed by the purchaser's central purchasing department located in Texas, but \$25,000 of the purchaser's order was shipped directly to purchaser's branch store in Kansas City, Missouri. The branch store in Kansas City, Missouri is the purchaser with respect to \$25,000 of the sales. The \$25,000 of inventory delivered to the store located in Kansas City, Missouri is considered to be a sale within Kansas City, Missouri and is included in both the numerator and denominator of the gross receipts factor.
- (d) Property is delivered or shipped to a purchaser within Kansas City, Missouri if the shipment terminates in Kansas City, Missouri, even though the property is subsequently transferred by the purchaser to another city or state.
  - (1) Example: The taxpayer makes a sale to a purchaser who maintains a central warehouse in Kansas City, Missouri at which all merchandise purchases are received. The purchaser reships the goods to its branch stores in another state for sale. All of the taxpayer's product shipped to the purchaser's warehouse in Kansas City, Missouri, is property delivered or shipped to a purchaser within Kansas City, Missouri, and thus is treated as a sale within Kansas City, Missouri, that is included in both the numerator and the denominator of the gross receipts factor.
- (e) The term purchaser within Kansas City, Missouri, shall include the ultimate recipient of the property if the taxpayer in Kansas City, Missouri, at the designation of the purchaser, delivers to or has the property shipped to the ultimate recipient within Kansas City, Missouri.



- (1) Example: A taxpayer in Kansas City, Missouri, sold merchandise to a purchaser in Illinois. The taxpayer directed the manufacturer or supplier of the merchandise in Minnesota to ship the merchandise to the purchaser's customer in Kansas City, Missouri, pursuant to purchaser's instructions. The sale by the taxpayer is in Kansas City, Missouri, and is included in both the numerator and the denominator of the gross receipts factor.
- (f) When property being shipped by a seller from the city of origin to a consignee in another city is diverted while en route to a purchaser in Kansas City, Missouri, the sales are in Kansas City, Missouri.
- (1) Example: The taxpayer, a produce grower in Milo, Missouri, begins shipment of perishable produce to the purchaser's place of business in Liberty, Missouri. While en route, the produce is diverted to the purchaser's place of business in Kansas City, Missouri. The sale by the taxpayer is attributed to Kansas City, Missouri, and is included in both the numerator and denominator of the gross receipts factor.
- (III) Charges for work done or services performed incident to a sale, whether or not included in the price of the property, shall be considered gross receipts from such sale.
- (IV) Sales, other than sales of tangible personal property, are in the city if:
- (a) The income-producing activity which gave rise to the receipts is performed wholly within Kansas City, Missouri; or
- (b) The income-producing activity is performed both within and without Kansas City, Missouri, and a greater proportion of the income-producing activity is performed in Kansas City, Missouri, than outside Kansas City, Missouri, based on costs of performance. The term "costs of performance" includes direct costs determined in a manner consistent with generally accepted accounting principles and in accordance with accepted conditions or practices in the taxpayer's trade or business.
- (V) The term "income producing activity" applies to each separate item of income and means the transactions and activity directly engaged in by the taxpayer in the regular course of its trade or

business for the ultimate purpose of obtaining gains or profit. This activity does not include transactions and activity performed on behalf of a taxpayer, such as those conducted on its behalf by an independent contractor. Accordingly, “income producing activity” includes, but is not limited to the following:

- (a) The rendering of personal services by employees or the utilization of tangible and intangible property by the taxpayer in performing a service.
  - (b) The sale, rental, leasing, licensing, or other use of real property.
  - (c) The rental, leasing, licensing, or other use of tangible personal property.
  - (d) The sale, licensing, or other use of intangible personal property. However, the mere holding of intangible personal property is not, of itself, an income producing activity.
- (VI) Gross receipts for the performance of personal services are attributable to Kansas City, Missouri, to the extent those services are performed in Kansas City, Missouri. If services relating to a single item of income are performed partly within and partly outside of Kansas City, Missouri, the gross receipts for the performance of those services shall be attributable to Kansas City, Missouri, only if a greater proportion of the services were performed in the city, based on costs of performance. Usually, where services are performed partly within and partly outside of Kansas City, Missouri, the services performed in each city will constitute a separate income-producing activity; in that case, the gross receipts for the performance of services attributable to Kansas City, Missouri, shall be measured by the ratio which the time spent in performing the services in Kansas City, Missouri, bears to the total time spent in performing the services everywhere. Time spent in performing services includes the amount of time expended in the performance of a contract or other obligation which gives rise to the gross receipts. Personal service not directly connected with the performance of the contract, or other obligation, as for example, time expended in negotiating the contract, is excluded from the computations.

(a) Example 1:

The taxpayer, a road show, gave theatrical performances at various locations in Chicago, Illinois, and in Kansas City, Missouri, during the tax period. All gross receipts from

performances given in Kansas City, Missouri are attributed to Kansas City, Missouri.

(b) Example 2:

The taxpayer, a public opinion survey corporation, conducted a poll by its employees in Jefferson City, Missouri, and in Kansas City, Missouri, for the fee of \$9,000. The project required 600 man-hours to obtain the basic data and prepare the survey report. Two hundred of the 600 man-hours were expended in Kansas City, Missouri. The receipts attributable to Kansas City, Missouri are \$3,000:  $200 \text{ man-hours in Kansas City, Missouri} \div 600 \text{ total man-hours} \times \$9,000 \text{ fee}$ .

(VII) Where the income producing activity in respect to earned income from intangible personal property can be readily identified, that income can be included in the denominator of the gross receipts factor, and if the income-producing activity occurs in Kansas City, Missouri, in the numerator of the gross receipts factor as well. For example, usually the income-producing activity can be readily identified in respect to interest income received on deferred payments on sales of tangible property and income from the sale, licensing or other use of intangible personal property.

(VIII) Where income from intangible property cannot readily be attributed to any particular income-producing activity of the taxpayer, which income cannot be assigned to the numerator of the sales or gross receipts factor for any state or city and shall be excluded from the denominator of the gross receipts factor. For example, where business income in the form of dividends received on stock, royalties received on patents or copyrights, or interest received on bonds, debentures or government securities results from the mere holding of the intangible personal property by the taxpayer, the dividends and interest shall be excluded from the denominator of the gross receipts factor.

(E) *Combined Reports Prohibited.* Returns which combine and allocate the taxable income of more than one corporation are prohibited.

(F) *Allocation percentage.* The allocation percentage is the total of the percentages determined in accordance with these regulations for the property, payroll, and gross receipts factors, or such of the aforesaid percentages as may be applicable to the taxpayer's business, divided by the number of percentages used in ascertaining said total. The result so obtained is the allocation percentage.

- (i) In determining the allocation percentage, if the denominator of any factor is zero that factor shall not be considered as part of the allocation percentage. In determining the average percentage, a factor shall not be excluded from the computation merely because said factor is found to be allocable entirely outside the city. A factor is excluded only when it does not exist anywhere.
- (ii) The allocation percentage is applied to the total of the taxpayer's net profits as determined under these regulations to determine the portion of such net profits subject to this tax.

(iii) Example 1:

Ron Marlin has a small C-corporation that he runs from an office in Kansas City, Missouri. He does not own any property located outside of Kansas City, Missouri, and has no payroll expense. Of his gross receipts, 42% are attributable to Kansas City, Missouri. His apportionment factor is calculated as:

Property factor	100%
Gross receipts factor	42%
Total for all factors	$142\% \div 2$ relevant factors = 71% of net profits apportioned to Kansas City, Missouri.

The payroll factor is not considered because it does not exist anywhere for this corporation.

(iv) Example 2:

Marlin Norris has a small C-corporation with an office, on property owned by the corporation, located in Leawood, Kansas. He has no property located in Kansas City, Missouri. Of his gross receipts, 82% are attributable to Kansas City, Missouri, and 68% of his payroll is attributable to Kansas City, Missouri. His apportionment factor is calculated as:

Property factor	0%
Payroll factor	68%
Gross receipts factor	82%
Total for all factors	$150\% \div 3$ relevant factors = 50% of net profits apportioned to Kansas City, Missouri.

(2) Other Methods of allocation.

- (A) *General Rule.* In the event a just and equitable result cannot be obtained under the formula method, or use of that method does not fairly represent

the extent of the taxpayer's business activity in the city, the Commissioner may, upon the taxpayer's application, substitute other methods of allocating net income to Kansas City, Missouri, to effect a fair and proper allocation or to clearly reflect the taxpayer's income. Examples of such methods that may be used, if reasonable, are:

- (i) Separate accounting;
  - (ii) The exclusion of one or more of the factors;
  - (iii) The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in the city; or
  - (iv) The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.
- (B) *Taxpayer Requests to Use Other Methods.* A taxpayer may apply to the Commissioner to substitute other factors in the formula or to use a different method to allocate net profits. Any such request must be made in writing not less than 60 days before the end of the taxable year. The application shall state the specific grounds on which the substitution of factors or use of a different method is requested and the relief sought to be obtained. The taxpayer may not begin using such substitute method until receipt of approval from the Commissioner. Upon receipt of approval, the taxpayer shall continue to so file under the approved substitute method unless and until the taxpayer requests permissions to use a different method and such request is approved by the Commissioner.
- (C) In the case of certain industries, if the allocation provisions contained in these regulations do not set forth appropriate procedures for determining the apportionment factors, the Commissioner may adopt special apportionment regulations or modify the standard formula method provided herein to accommodate the unique attributes for such industries. However, the allocation formula rules for any such industries shall be applied uniformly. The Commissioner hereby adopts the special allocation rules for the following industries, as defined in said rules:
- Airlines.
  - Rail Transportation Companies.
  - Trucking Companies.
  - Construction Companies.
- (D) In the case of an allocation question that is not specifically addressed in these regulations, it is the general policy of the Commissioner in matters involving the determination of a taxpayer's property, payroll, and gross receipts factors to follow the Missouri state income tax regulations

governing the apportionment of multi-state income with respect to the same matters, to the extent the state regulations are applicable to the individual facts and circumstances, and are otherwise consistent with these regulations. However:

- (i) A single-factor shall not be allowed.
  - (ii) The Commissioner reserves the discretion to make the final determination of the applicability of a particular state regulation to the city earnings and profits tax.
- (E) *Special Allocation Rules for Trucking Companies.* The allocation rules set forth herein may be modified as follows in the case of a taxpayer that operates a trucking company, including a motor common carrier, a motor contract carrier, or an express carrier which primarily transports tangible personal property of others by motor vehicle for compensation.
- (i) *Definitions.* As used in this Regulation for allocating the net profits of trucking companies:
    - (I) “Mobile property” means all motor vehicles, including trailers, engaged directly in the movement of tangible personal property, except for support vehicles used predominantly in a local capacity.
    - (II) A “mobile property mile” is the movement of a unit of mobile property a distance of one mile whether loaded or unloaded.
    - (III) A “mobile property worker” is an employee who is paid to drive or work on mobile property while it is moving.
  - (ii) For purposes of the property factor mobile property, as defined in this Regulation, which is located both within and outside of the city during the tax year, shall be included in the numerator of the property factor in the ratio that mobile property miles in the city bear to the total mobile property miles within and without of the city. All property other than mobile property shall be included in the numerator of the property factor in accordance with the other provisions of these regulations.
    - (I) Example: Concrete Carriers is a corporation based in Kansas City, Missouri. The company has five concrete mixer trucks and mixes and delivers concrete in Kansas City, Missouri, and Raytown, Missouri. All other real and tangible personal property owned and rented by Concrete Carriers is located in Kansas City, Missouri, all year. Concrete Carriers’ records for the year show the following:

Truck	Miles in Kansas City, Missouri	Miles in Raytown	Total Miles
1	8,000	4,000	12,000
2	800	5,000	5,800
3	16,000	500	16,500
4	9,500	4,500	14,000
5	6,200	6,000	12,200

The trucks had the following average values

Truck	Value (Denominator)	KC Percentage	Numerator Value
1	\$28,000	66.67%	\$18,667.60
2	\$25,000	13.79%	\$3,447.50
3	\$17,000	96.97%	\$16,484.90
4	\$35,000	67.86%	\$23,751.00
5	\$30,000	50.82%	\$15,246.00

(iii) For purposes of the payroll factor, compensation paid to mobile property workers who perform services both within and outside of the city shall be included in the numerator of the payroll factor in the ratio which their services performed in the city bear to their services performed everywhere based on mobile property miles. All workers other than mobile property workers shall be included in the numerator of the payroll factor in accordance with the other provisions of these regulations

(l) Example: Concrete Carriers has six employees who are considered mobile property workers.

Emp.	Miles in Kansas City, Missouri	Miles in Raytown	Total Miles
1	10,000	0	10,000
2	12,000	2,000	14,000
3	500	5,500	6,000
4	4,500	1,500	6,000
5	9,000	3,000	12,000
6	4,500	8,000	12,500

The employees had the following annual wage amounts:

Emp.	Wage (Denominator)	KC Percentage	Numerator Value
1	\$40,000	100%	\$40,000.00
2	\$57,400	85.71%	\$49,197.54

3	\$18,000	8.33%	\$1,499.40
4	\$21,000	75.00%	\$15,750.00
5	\$40,800	75.00%	\$30,600.00
6	\$40,625	36.00%	\$14,625.00

(iv) For purposes of the gross receipts factor, the total revenue attributable to the city during the tax year from hauling freight, mail, and express shall be:

- (I) Intra-city: all receipts from any shipment that both originates and terminates within the city.
- (II) Inter-city: That portion of the receipts from movements or shipments passing into or out of the city as determined by the ratio which the mobile property miles traveled by such movements or shipments in Kansas City, Missouri, bear to the total mobile miles traveled by movements or shipments from points of origin to destination.

(III) Example: Lumber Carriers had trip miles for the year as follows:

Origination	Termination	KC Miles	Mosby Miles
Kansas City, Missouri	Mosby, Missouri	4,000	16,000
Kansas City, Missouri	Kansas City, Missouri	36,500	0

Gross receipts for lumber and delivery for the year were as follows:

Trip Type	Gross Receipts (Denominator)	KC Percentage	Numerator Value
Inter-City	\$2,200,000	20.00%	\$440,000
Intra-City	\$4,300,000	100%	\$4,300,000

- (v) The total revenue of the taxpayer other than from hauling freight, mail, and express shall be attributable to the city in accordance with the other provisions of these regulations.
- (vi) The taxpayer shall maintain the records necessary to identify mobile property and to enumerate by city the mobile property miles traveled by such mobile property as those terms are used in this Regulation. Such records are subject to review by the Commissioner of revenue.



(F) *Special Allocation Rules for Railroad Companies.* The allocation rules set forth herein may be modified as follows in the case of a taxpayer that operates a railroad.

(i) *Definitions.* As used in this Regulation:

- (I) “Locomotive mile” is the movement of a locomotive (a self-propelled unit of equipment designed solely for moving other equipment) a distance of one mile under its own power.
- (II) A “car mile” is a movement of a unit of car equipment a distance of one mile.
- (III) A “revenue passenger mile” means the movement of one passenger for a distance of one mile.

(ii) In determining the numerator of the property factor, all property shall be included in the numerator of the property factor in accordance with the general allocation rules of these regulations, except that mobile or movable property (for example, passenger cars, freight cars, locomotives, and freight containers which are located within and without the city during the tax year), shall be included in the numerator of the property factor in the ratio which locomotive miles and car miles in the city bear to the total everywhere.

(iii) For purposes of the payroll factor, with respect to all personnel except enginemen and trainmen performing services on interstate trains, compensation paid to employees shall be included in the numerator as provided in the general allocation rules of these regulations. Compensation paid to enginemen and trainmen performing services on inter-city or interstate trains shall be included in the numerator of the payroll factor in the ratio which their services performed in the city bear to their services performed everywhere, based on locomotive miles.

(iv) For purposes of the gross receipts factor, the total revenue attributable to the city during the tax year from hauling freight, mail and express shall be:

- (I) Intra-city: all receipts from shipments that both originate and terminate within the city.
- (II) Inter-city: That portion of the receipts from movements or shipments passing into, or out of the city as determined by the ratio which the car miles traveled by such movements or

shipments in the city bear to the total miles traveled from origin to destination.

- (v) Receipts from Transporting Passengers. For purposes of the gross receipts factor, the total revenue attributable to the city during the tax year from hauling passengers shall be:
    - (I) Intra-city: all receipts from the transportation of passengers (including mail and express handled in passenger service) which both originate and terminate within the city.
    - (II) Inter-city: That portion of the receipts from the transportation of inter-city passengers (including mail and express handled in passenger service) determined by the ratio which revenue passenger miles in the city bear to the total everywhere.
  - (vi) The total revenue of the taxpayer other than from hauling freight, passengers, mail, and express shall be attributable to the city in accordance with the other provisions of these regulations.
- (G) *Special Allocation Rules for Airlines.* The allocation rules set forth herein may be modified as follows in the case of a taxpayer that operates an airline.
- (i) *Definitions.* As used in this Regulation:
    - (I) “Aircraft ready for flight” means aircraft owned or acquired through rental or lease (but not interchange) that are in the possession of the taxpayer and are available for service on the taxpayer’s routes.
    - (II) “Revenue service” means the use of aircraft ready for flight for the production of revenue.
    - (III) “Transportation revenue” means revenue earned by transporting passengers, freight, and mail as well as revenue earned from liquor sales, pet crate rentals, and the like.
    - (IV) “Departures” means all takeoffs for regularly scheduled or charter flights that occur during revenue service.
  - (ii) In determining the numerator of the property factor, all property except aircraft ready for flight shall be included in the numerator of the property factor in accordance with the general allocation rules of these regulations. Aircraft ready for flight shall be included in the numerator of the property factor in the ratio calculated as departures of aircraft

from locations in the city weighted as to the cost of aircraft by type compared to total departures similarly weighted.

- (iii) For purposes of the payroll factor, compensation paid to non-flight employees who perform services both within and without of Kansas City, Missouri, shall be included in the numerator of the payroll factor in accordance with the general allocation rules of these regulations. Compensation paid to flight personnel (the air crew aboard an aircraft assisting in the operation of the aircraft or the welfare of passengers while in the air) shall be included in the numerator of the payroll factor in the ratio of departures of aircraft from locations within the city, weighted as to the cost of aircraft by type compared to total departures similarly weighted, multiplied by the total flight personnel compensation.
- (iv) For purposes of the gross receipts factor, the total revenue attributable to the city during the tax year is the result of the following calculation: the ratio of departure of aircraft in Kansas City, Missouri, weighted as to the cost of aircraft by type, as compared to total departures similarly weighted, multiplied by the total transportation revenue. The product of the calculation is added to any non-flight revenues allocated to the city.
- (v) The taxpayer must maintain the records necessary to arrive at departures by type of aircraft as used in these regulations. Such records are subject to review by the Commissioner of revenue.
- (vi) Example: An airline for the tax year has:
  - 1. Ten 747s ready for flight and in revenue service at an average cost per unit of \$40,000,000 for nine of the aircraft. It rents the tenth 747 from another airline for \$9,000,000 per year. At eight times rents, the latter is valued at \$72,000,000 for apportionment purposes. The total 747 valuation is, therefore, \$432,000,000 for property factor denominator purposes.
  - 2. Twenty 727s ready for flight in revenue service at an average cost per unit of \$20,000,000. The total 727 valuation is, therefore, \$400,000,000 for property factor denominator purposes.
  - 3. It has nonflight tangible property (n.t.p.) valued at an original cost of \$200,000,000.
  - 4. It has the following annual payroll:

Flight personnel	\$60,000,000
Nonflight personnel (n.p.)	\$40,000,000
Total	\$100,000,000

5. From its operations, it has total receipts of \$50,000,000 and net profits of \$1,000,000. There are no nonflight revenues.

6. It has the following within Kansas City, Missouri:

Item	Percent	Calculation	Total
747 flight departures	10%	.10 x \$432,000,000	\$43,200,000
727 flight departures	20%	.20 x \$400,000,000	\$80,000,000
n.t.p.	5%	.05 x \$200,000,000	\$10,000,000
n.p. payroll	15%	.15 x \$40,000,000	\$6,000,000

7. The airline's tax liability to Kansas City, Missouri is determined as follows:

**Property Factor:**

$$\$43,200,000 \text{ (KC 747s)} + \$80,000,000 \text{ (KC 727s)} + \$10,000,000 \text{ (KC n.t.p.)} = \$133,200,000$$

$$\$432,000,000 \text{ (747s)} + \$400,000,000 \text{ (727s)} + \$200,000,000 \text{ (n.t.p.)} = \$1,032,000,000$$

$$\$133,200,000 \div \$1,032,000,000 = 12.91\%$$

**Gross Receipts Factor:**

$$\$43,200,000 \text{ (KC 747s)} + \$80,000,000 \text{ (KC 727s)} = \$123,200,000$$

$$\$432,000,000 \text{ (747s)} + \$400,000,000 \text{ (727s)} = \$832,000,000$$

$$\$123,200,000 \div \$832,000,000 = 14.81\%$$

**Payroll Factor:**

$$\$6,000,000 \text{ (n.p.)} + (.148 \times 60,000,000 \text{ (flight)}) = \$14,880,000 \div \$100,000,000 = 14.88\%$$

**Average Ratio of Factors:**

$$(12.91\% + 14.81\% + 14.88\%) = 42.60\% \div 3 = 14.20\%$$

Net profits subject to tax in Kansas City, Missouri:  $14.20\% \times \$1,000,000 = \$142,000$

Tax Liability to Kansas City, Missouri:  $\$142,000 \times 1.0\% = \$1,420$

(H) *Special Allocation Rules for Construction Companies.* The allocation rules set forth herein may be modified as follows in the case of a taxpayer that is a construction company.

(i) When a taxpayer elects to use the percentage of completion method of accounting, or the completed contract method of accounting for long-term contracts (construction contracts covering a period in excess of one year from the date of execution of the contract to the date on which the contract is finally completed and accepted), and has net profits from sources both within and outside of Kansas City, Missouri, from a trade or business, the amount of business income derived from these long-term contracts from sources within Kansas City, Missouri, shall be determined pursuant to this rule.

(ii) *Percentage of Completion Method.* Under this method of accounting for long-term contracts, the amount to be included each year in net profits from each contract is the amount by which the gross contract price that corresponds to the percentage of the entire contract that has been completed during the tax year exceeds all expenditures made during the tax year in connection with the contract. In so doing, account must be taken of the material and supplies on hand at the beginning and end of the tax year for use in each long-term contract.

(I) Example: A taxpayer using the percentage of completion method of accounting for long-term contracts entered into a long-term contract to build a structure in Kansas City, Missouri, for \$9,000,000. The contract allowed three years for completion and as of the end of the second tax year the taxpayer's books of account, kept on the accrual method, disclosed the following:

	Receipts	Expenditures
End of 1st tax year	\$2,500,000	\$2,400,000
End of 2nd tax year	\$4,500,000	\$4,100,000
<b>Totals</b>	<b>\$7,000,000</b>	<b>\$6,500,000</b>

In computing these expenditures, consideration was given to material and supplies on hand at the beginning and end of each tax year. It was estimated that the contract was 30% completed at the end of the first tax year and 80% completed at the end of the second tax year. The amount to be included in net profits for the first tax year is \$300,000 (30% of \$9,000,000 or \$2,700,000 less expenditures of \$2,400,000 equals

\$300,000). The amount to be included in net profits for the second tax year is \$400,000 (50% of \$9,000,000 or \$4,500,000 less expenditures of \$4,100,000 equals \$400,000).

- (iii) *Completed Contract Method.* Under this method of accounting, net profits derived from long-term contracts is reported for the tax year in which the contract is finally completed and accepted. Therefore, a special computation is required to compute the amount of net profits attributable to Kansas City, Missouri, from each completed contract. All receipts and expenditures applicable to these contracts, whether complete or incomplete as of the end of the tax year, are excluded from net profits derived from other sources as, for example, short-term contracts, interest, rents, royalties, and the like, which are allocated by the regular three-factor formula of property, payroll and gross receipts.
- (iv) In general, the numerator and denominator of the property factor shall be determined in accordance with the general allocation rules under the formula method set forth in these regulations. However, the following special rules are also applicable:
  - (I) The average value of the taxpayer's cost (including materials and labor) of construction in progress, to the extent the costs exceed progress billings (accrued or received depending on whether the taxpayer is on the accrual or cash basis for keeping its accounts) shall be included in the denominator of the property factor. The value of any construction costs attributable to construction projects in Kansas City, Missouri, shall be included in the numerator of the property factor.

(a) Example 1:

The taxpayer commenced a long-term construction project in Kansas City, Missouri as of the beginning of the tax year. By the end of its second tax year, its equity in the costs of production to be reflected in the numerator and denominator of its property factor for that year is computed as follows:

	Year One		Year Two	
	Beginning	Ending	Beginning	Ending
Construction Costs	0	\$1,000,000		
Progress billings		\$600,000		
Balance 12/31—1/1		\$400,000	\$400,000	
Construction Costs				
Total from beginning of project				\$5,000,000
Progress billings				

Total from beginning of project				\$4,000,000
Balance 12/31				\$1,000,000
Balance beginning of year				\$400,000
<b>Total</b>				<b>\$1,400,000</b>
<b>Average (1/2)—Value used in property factor</b>				<b>\$700,000</b>

Note: It may be necessary to use monthly averages if yearly averages do not properly reflect the average value of the taxpayer's equity, as provided in the general allocation rules of these regulations.

(b) Example 2:

Same facts as in Example 1 except that progress billings exceeded construction costs. No value for the taxpayer's equity in the construction project is shown in the property factor.

(II) Rent paid for the use of equipment directly attributable to a particular construction project is included in the property factor at eight times the net annual rental rate even though this rental expense may be capitalized into the cost of construction.

(III) The property factor is computed in the same manner for all long-term contract methods of accounting and is computed for each tax year even though under the completed contract method of accounting, net profits is computed separately.

(v) In general, the numerator and denominator of the payroll factor shall be determined in accordance with the general allocation rules under the formula method set forth in these regulations. However, the following special rules are also applicable:

(I) Compensation paid employees that is attributable to a particular construction project is included in the payroll factor even though capitalized into the cost of construction.

(II) Compensation paid employees who in the aggregate perform most of their services in a state to which their employer does not report them for unemployment tax purposes shall be attributed to the state where the services are performed.

(a) Example: A taxpayer engaged in a long-term contract in Kansas City,

Missouri, sends several key employees to Kansas City, Missouri, to supervise the project. The taxpayer, for unemployment tax purposes, reports these employees to Nebraska, where the main office is maintained and where the employees reside. For payroll factor purposes, the compensation is assigned to the numerator of Kansas City, Missouri.

(III) The payroll factor is computed in the same manner for all long-term contract methods of accounting and is computed for each tax year even though, under the completed contract method of accounting, net profit is computed separately.

(vi) In general, the numerator and denominator of the gross receipts factor shall be determined in accordance with the general allocation rules under the formula method set forth in these regulations. However, the following special rules are also applicable:

(I) Gross receipts derived from the performance of a contract are attributable to Kansas City, Missouri, if the construction project is located in Kansas City, Missouri. If the construction project is located partly within and partly outside of Kansas City, Missouri, the gross receipts attributable to Kansas City, Missouri, are based upon the ratio which construction costs incurred during the tax year for the project in Kansas City, Missouri, bear to the total of construction costs for the entire project during the tax year, or any other method, such as engineering cost estimates, which will provide a reasonable apportionment.

(a) Example 1:

A construction project was undertaken in Kansas City, Missouri, by a calendar year taxpayer that had elected one of the long-term contract methods of accounting. The following gross receipts (progress billings) were derived from the contract during the three tax years that the contract was in progress:

	<b>1st Year</b>	<b>2nd Year</b>	<b>3rd Year</b>
Gross Receipts	\$1,000,000	\$4,000,000	\$3,000,000

The gross receipts to be reflected in both the numerator and denominator of the gross receipts factor for each of the three years are the amounts shown.

(b) Example 2:



A taxpayer contracts to build a bridge over a river at a point that lies half within Kansas City, Missouri, and half within the state of Kansas. During the taxpayer's first tax year construction costs in Kansas City, Missouri, were \$2,000,000. Total construction costs for the project during the tax year were \$3,000,000. Gross receipts (progress billings) for the year were \$2,400,000. The ratio of construction costs attributable to Kansas City, Missouri, are  $\$2,000,000 \div \$3,000,000 = 66.67\%$ . Accordingly, the gross receipts of  $\$2,400,000 \times 66.67\% = \$1,600,000$  are included in the numerator of the gross receipts factor.

(II) If the percentage of completion method is used, the gross receipts factor includes only that portion of the gross contract price which corresponds to the percentage of the entire contract which was completed during the tax year.

(a) Example: A taxpayer that had elected the percentage of completion method of accounting entered into a long-term construction contract. At the end of its current tax year (the second since starting the project) it estimated that the project was 30% completed. The bid price for the project was \$9,000,000 and it had received \$2,500,000 from progress billings as of the end of its current tax year. The amount of gross receipts to be included in the gross receipts factor for the current tax year is \$2,700,000 ( $30\% \times \$9,000,000$ ), regardless of whether the taxpayer uses the accrual method or the cash method of accounting for receipts and disbursements.

(III) If the completed contract method of accounting is used, the gross receipts factor includes the portion of the gross receipts (progress billings) received or accrued, whichever is applicable, during the tax year attributable to each contract.

(a) Example 1:

A taxpayer that had elected the completed contract method of accounting entered into a long-term construction contract. By the end of its current tax year (the second since starting the project), it had billed and accrued on its books a total of \$5,000,000 of which \$2,000,000 had accrued in the first year the contract was undertaken and \$3,000,000 had accrued in the current (second) year. The amount of gross receipts to be included in the gross receipts factor for the current tax year is \$3,000,000.

(b) Example 2:

Same facts as in Example 1, except the taxpayer keeps its books on the cash basis and as of the end of its current tax year had received only \$2,500,000 of the \$3,000,000 billed during the current year. The amount of gross receipts to be included in the gross receipts factor for the current tax year is \$2,500,000.

- (IV) The gross receipts factor, except as noted in this section, is computed in the same manner, regardless of which long-term method of accounting the taxpayer has elected, and is computed for each tax year, even though under the completed contract method of accounting net profits is computed separately.
- (vii) The total of the property, payroll, and gross receipts percentages is divided by three (or by the number of applicable factors if the denominator of one or more of the factors is zero) to determine the allocation percentage. The allocation percentage is then applied to net profits to establish the amount allocated to Kansas City, Missouri.
- (viii) The completed contract method of accounting requires that the reporting of net profits (or loss) be deferred until the year the construction project is completed or accepted. Accordingly, a separate computation is made for each contract completed during the tax year regardless of whether the project is located within or outside of Kansas City, Missouri, in order to determine the amount of net profits which is attributable to sources within Kansas City, Missouri. The measure of tax for the tax year is the amount of profits from each contract completed during the tax year allocated to Kansas City, Missouri, plus any other net profits allocated to Kansas City, Missouri, by the regular three-factor formula from other sources or business activities.
- (ix) The amount of net profit (or loss) from each contract which is derived from sources within Kansas City, Missouri, using the completed contract method of accounting is computed as follows:
  - (I) In the tax year the contract is completed, the net profits (or loss) is determined; and
  - (II) The net profit (or loss) is allocated to Kansas City, Missouri, by the following method:
    - (a) A fraction is determined for each year the contract was in progress. The numerator is the amount of construction costs paid or accrued each year the contract was in progress, and the denominator is the total of all construction costs for the project;

- (b) Each percentage is multiplied by the apportionment formula percentage for that particular year; and
- (c) The percentages determined for each year the contract was in progress are totaled. The amount of total income (or loss) from the contract is multiplied by the total percentage. The resulting income (or loss) is the amount of the net profits from the contract derived from sources within Kansas City, Missouri.

(III) Example 1:

A taxpayer using the completed contract method of accounting for long-term contracts is engaged in three long-term contracts:

- Contract L in Kansas City, Missouri.
- Contract M in Olathe, Kansas.
- Contract N in Grandview, Missouri.

In addition, it has other net profits (fewer expenses) during the tax year 2020 from interest, rents and short-term contracts amounting to \$500,000. During 2020 it completed Contract M in Olathe, Kansas, at a profit of \$900,000. Contracts L and N in Kansas City, Missouri, and Grandview, Missouri, respectively, were not completed during that year. The apportionment percentages of the taxpayer and the percentages of contract costs for each year Contract M in Olathe, Kansas was in progress are as follows:

	2018	2019	2020
Apportionment Percent	30%	20%	40%
Percent of Construction Costs of Contract M each year to total Construction costs—(100%)	20%	50%	30%

The corporation's net profits subject to tax in the city for 2020 is computed as follows:

Net Profits Other Sources	\$500,000
Apportioned 40% to Kansas City, Missouri	\$200,000
Add: Income from Contract M*	\$252,000
Total income derived from sources within Kansas City, Missouri	\$452,000

\* Income from Contract M apportioned to Kansas City, Missouri:

	2018	2019	2020	Total
Apportionment Percentage	30%	20%	40%	
Percent of construction Costs	20%	50%	30%	100%
Product	6%	10%	12%	28%*

\* The amount subject to Kansas City, Missouri tax is 28% of \$900,000 = \$252,000

(IV) Example 2:

Same facts as in Example 1, except that Contract L was started in 2020 in Kansas City, Missouri, the first year the taxpayer was subject to tax in Kansas City, Missouri. Contract L in Kansas City, Missouri, and Contract N in Grandview, Missouri, are incomplete in 2020. The corporation's net income subject to tax in Kansas City, Missouri, for 2020 is computed as follows:

Net Profits Other Sources	\$500,000
Apportioned 40% to Kansas City, Missouri	\$200,000
Add: Income from Contract M*	<u>\$108,000</u>
Total Net Profits derived from sources within Kansas City, Missouri	\$308,000

\* Income from Contract M apportioned to the city:

	2018	2019	2020	Total
Apportionment percent	0%	0%	40%	
Percent of Construction Costs	20%	50%	30%	100%
Product	0%	0%	12%	12%*

\* 12% of \$900,000 = \$108,000

Note: Only 12% is used to determine the net profits derived from sources within the City since the corporation was not subject to tax in Kansas City, Missouri prior to 2020.

(V) Example 3:

Same facts as in Example 1 except:

- The figures relate to Contract L in Kansas City, Missouri.
- 2020 is the first year the corporation was taxable outside Kansas City, Missouri.

Contracts M and N in Olathe, Kansas, and Grandview, Missouri, were started in 2020 and are incomplete. The corporation's net income subject to tax in Kansas City, Missouri, for 2020 is computed as follows:

Net profits Other sources	\$500,000
Apportion 40% to this state	\$200,000
Add: Income for Contract L*	\$738,000
Total net profits derived from sources within the city	\$938,000

\* Income from Contract L apportioned to the city:

	2018	2019	2020	Total
Apportionment Percent	100%	100%	40%	
Percentage of Construction Costs	20%	50%	30%	100%
Product	20%	50%	12%	82%*

82% of \$900,000 = \$738,000

(VI) Computation for Year of Withdrawal, Dissolution, or Cessation of Business: Completed Contract Method. Use of the completed contract method of accounting for long-term contracts requires that net profits derived from sources within Kansas City, Missouri, from incomplete contracts in progress outside Kansas City, Missouri, on the date of withdrawal, dissolution or cessation of business in Kansas City, Missouri be included in the measure of tax for the taxable year during which the corporation withdraws, dissolves or ceases doing business in Kansas City, Missouri.

- (a) The amount of net profits (or loss) from each contract to be allocated to Kansas City, Missouri, by the allocation method shall be determined as if the percentage of completion method of accounting were used for all contracts on the date of withdrawal, dissolution, or cessation of business. The amount of net profits (or loss) for each contract shall be the amount by which the gross contract price from each contract that corresponds to the percentage of the entire contract which has been completed from the commencement of the contract to the date of withdrawal, dissolution, or cessation of business exceeds all expenditures made during this period in connection with each contract. In so doing, account must be taken of the material and supplies on hand at the beginning and end of the tax year for use in each contract.

- (b) Example: A construction contractor qualified to do business in Kansas City, Missouri, had elected the completed contract method of accounting for long-term contracts. It was engaged in two long-term contracts. Contract L in Kansas City, Missouri, was started in 2018 and completed at a profit of \$900,000 on December 16, 2020. The taxpayer withdrew on December 31, 2020. Contract M in Lawrence, Kansas, was started in 2019 and was incomplete on December 31, 2019.

The allocation percentages of the taxpayer and the percentages of construction costs are determined for each year Contract M in Lawrence, Kansas, was in progress and are as follows:

	2018	2019	2020	Total
Allocation percent	30%	20%	40%	
Percentages of Construction costs	20%	50%	30%	100%
Contract L, Kansas City				
Contract M, Lawrence	0%	10%	25%	35%

The corporation had other net profits of \$500,000 during 2019 and \$300,000 during 2020. The gross contract price of Contract M (Lawrence) was \$1,000,000 and it was estimated to be 35% completed on December 31, 2020. Total expenditures to date for Contract M (Lawrence) were \$300,000 for the period ended December 31, 2020.

The measure of tax for the taxable year ended 12/31/20 is computed as follows:

	Taxable Year 2020	
	2019	2020
Net profits other sources	\$500,000	\$300,000
Allocation percentage to the city	20%	40%
Amount apportioned to the city	\$100,000	\$120,000
Add: Income from Contracts *L (Kansas City)		\$252,000
**M (Lawrence)		\$ 6,000
Total income derived from sources within Kansas City	\$100,000	\$378,000

\* Income from Contract L apportioned to Kansas City, Missouri:

	2018	2019	2020	Total
Allocation percentages	30%	20%	40%	
Percentage of construction costs	20%	50%	30%	100%
Product	6%	10%	12%	28%

28% of \$900,000 = \$252,000

\*\* Income from Contract M apportioned to Kansas City, Missouri:

	2018	2019	2020	Total
Apportionment Percentages	0%	20%	40%	
Percentage of construction costs	0%	10%	25%	35%
Product	0%	2%	10%	12%

Computation of allocated income from Contract M based on percentage of completion method:

Total contract price	\$1,000,000
Estimated to be 35% completed	\$350,000
Less: Total expenditures to date	\$300,000
Apportionable income	\$50,000

12.0% of \$50,000 = \$6,000 of income from Contract M apportioned to Kansas City, Missouri.

### §1.385 Exemptions.

A tax is not levied on the following:

- (a) Earnings and profits, the taxation of which is prohibited by the United States Constitution, any Act of Congress, or the State of Missouri, including income referred to in Section 92.130, RSMo, which exempts the income received by:
  - (1) Labor, agricultural or horticultural organizations.
  - (2) Mutual savings bank not having a capital stock represented by shares.
  - (3) Fraternal-beneficiary society or order, 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 or order 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) A 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 non-profitable 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 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 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 mortgages, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create government depositories 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.
  - (17) The exemptions in subsections (a)(1) through (a)(15) apply to the income of the organizations, associations, societies, clubs, boards, leagues, companies, corporations, or other entities themselves described therein, and do not exempt the salaries, wages, and other compensation of the employees of such entities from the earnings tax.
- (b) The following income shall be exempt:
- (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 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) Disability pensions, regardless of whether received before or after attainment of minimum retirement age.

- (5) Government benefit payments, such as unemployment insurance, social security, veterans' benefits, and similar payments.
- (6) Income of a decedent's estate during the period of administration (except such income arising from the operation of a business.
  - (A) However, income in respect of a decedent, as that term is defined in the Internal Revenue Code, which would have been earnings if received by the decedent, retains its character as earnings and is subject to the earnings tax when received by the decedent's estate or person who acquired the right to the income by reason of the decedent's death.
- (7) Gains from sale of a taxpayer's residence, except for gain due to business use of the home when:
  - (A) Gain from the recapture of depreciation is taxable on the federal return, or would be if a federal return were filed; and
  - (B) Expenses related to the business use of the home have been previously deducted in determining net profits subject to Kansas City, Missouri tax.
- (8) Gifts not in connection with services rendered or work performed.
- (9) Interest upon the obligations of this state or of any political subdivision thereof, or upon the obligations of the United States or its possessions.
- (10) 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, of 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.
  - (A) This exemption applies to the public utility itself which performs governmental functions, and does not exempt the salaries, wages or other

compensation of the employees of those public utilities from the earnings tax.

- (11) Amounts received from an employer for expenses under an accountable plan and used as such by the individual receiving them are not deemed to be compensation.
  - (12) Receipts on account of scholarships or fellowships, except the part of any scholarship, fellowship, or tuition reduction that represents payment for past, present, or future teaching, research, or other services, unless the scholarship or fellowship represents qualifying payment for teaching, research or other services received under:
    - (A) The National Health Service Corps Scholarship Program, or
    - (B) The Armed Forces Health Professions Scholarship and Financial Assistance Program.
  - (13) Income received by the Federal government, its agencies, the State or its agencies or political subdivisions shall be exempt from taxation under the Ordinance.
  - (14) Any statutory per diem compensation paid any witness, juror, or election worker is not subject to this tax.
  - (15) Alimony or maintenance received and support payments made by one spouse for the benefit of the other spouse or children in connection with any divorce or separation, whether or not awarded by the court
- (c) Pursuant to The Servicemembers Civil Relief Act (Chapter 50, Title 50 of the U.S. Code), active-duty service pay of members of the armed forces who are not residents or domiciled in Kansas City, Missouri, but who perform their military duties in Kansas City, Missouri, is not taxable under the ordinances.
- (1) The military service pay or allowance received by an active-duty member of the Armed Forces of the United States or by a member of the National Guard or Reserves, including pay for drills and reserve training, shall be exempt from the earnings tax imposed by the Ordinances, whether such member is a resident or nonresident of the city.
    - (A) This exemption does not apply to federal or government services contractors or any other non-military pay status.

**§1.386 Collection at source; withholdings.**

- (a) Except as otherwise provided herein, it is the duty of each employer maintaining an office or transacting any business within the city, and making payment of any earnings taxable under the Ordinance to a resident or nonresident employee, to deduct and withhold each time any compensation is paid the earnings tax of one percent from the earnings subject to the tax.
  - (1) For employees who are residents of the city, withholding is required on the amount of all salaries, wages, bonuses, incentive payments, fees, commissions or other forms of compensation paid that is subject to the earnings tax imposed by Kansas City, Missouri, regardless of the place where the services are rendered, and
  - (2) For employees who are nonresidents of the city, withholding is required on that portion of the amount of all salaries, wages, bonuses, incentive payments, fees, commission or other forms of compensation paid which is subject to the earnings tax imposed by Kansas City, Missouri and that is attributable to services rendered, work performed or other activities engaged in within the city.
  - (3) Earnings tax must be withheld from cash compensation based on the taxable value of noncash compensation, to the extent that there is sufficient cash compensation to allow the withholding. If there is not sufficient cash compensation in the period in which the noncash compensation is paid, the remaining tax shall be withheld in subsequent pay periods, unless the employee does not have sufficient cash compensation to allow for the remaining withholding by the end of the calendar year.
  - (4) Where a nonresident receives compensation for personal services rendered or performed partly outside the city, the employer shall deduct, withhold, and remit the tax on that portion of the compensation which is earned within the city in accordance with the rules of apportionment detailed in section 1.383 of these regulations.
    - (A) For the apportionment of compensation required by section 1.386, the employer may elect to apportion the current compensation of the nonresident employee using one of the methods below:
      - (i) On the basis of the immediate preceding year's experience for the job or position in which the nonresident is currently employed. In the event the tax deducted and withheld by the employer pursuant to this rule does not approximate the tax actually due for the current year, the nonresident employee shall file an earnings tax return and pay any additional tax shown due thereon or may file a claim with the city for

the overpayment of the tax, in accordance with the provisions of the Ordinance and regulations.

- (I) At the start of each calendar year, the employer must adjust the apportionment to accurately reflect the preceding year's experience. The adjusted apportionment must be used for all pay periods ending later than January 31.
  - (II) In determining the apportionment to use for a job or position, the employer may determine:
    - (a) The average experience for all individuals who held the job or position in question the preceding year; or
    - (b) The average experience for each specific employee, if that employee held the same position for the entire preceding year; or
    - (c) The average experience for a specific individual or individuals who, in the previous year, preceded an individual employee in his or her current job or position.
  - (ii) On the basis of the actual location in which the employee works on any given day. All earnings on any day or part of day spent in Kansas City, Missouri for work purposes are treated as subject to withholding.
  - (iii) For the apportionment of compensation required by section 1.386, the employer may elect to withhold on all taxable earnings of a nonresident employee who works partly within and partly outside of Kansas City, Missouri. If the employer exercises this option, they shall have no responsibility to maintain records to determine or differentiate the amounts of such compensation that may be taxable or nontaxable for the earnings tax under the allocation rules in sections 1.382 and 1.383 of these regulations.
- (5) An employer who withholds earnings tax on only a portion of the compensation of a nonresident, as allowed under these regulations, must maintain adequate and contemporaneous records to support the apportionment for a period of five years following the due date of the annual withholding return for the calendar year. Adequate records may be in either paper or electronic form and may consist of, but are not limited to:
- (A) Appointment calendars.
  - (B) Mileage logs.

- (C) Receipts and logs documenting travel.
- (D) Work schedules that include, date, time and full name of employees working in each location.
- (6) Occasional work in the city. Employers shall not be required to withhold earnings tax for the occasional entry into the city of a nonresident employee who performs the duties for which he or she is employed primarily outside the city.
  - (A) Exception for professional athletes and entertainers. Professional athletic teams and employers of entertainers shall be required to withhold earnings tax for all earnings paid to their nonresident employees that is earned in the city and subject to the earnings tax, regardless of the itinerant nature of the services performed in the city.
- (b) Each employer, in collecting the tax, shall be deemed to hold the withheld tax until payment is remitted to the city as trustee for the city.
  - (1) Every employer required to deduct and withhold the tax at the source, and who certifies to the city that tax is withheld but fails to remit such tax, is liable as a fiduciary directly to the city for payment of such tax.
  - (2) The dissolution, bankruptcy, merger or spin-off or reorganization of any such employer does not discharge an employer's liability for a prior failure of such business to file a return or pay taxes due.
  - (3) Any tax deducted and withheld is to be considered paid to Kansas City, Missouri whether or not the employer actually remits the tax to Kansas City, Missouri, for purposes of determining employee payments or credits.
- (c) Commissions and fees paid to professionals, brokers, and others who are independent contractors, and not employees of the payer, are not subject to withholding or collection of the tax at the source. The recipient of such commission or fees shall in all instances file a return and pay the tax.
- (d) *Quarterly returns.* On or before the last day of the month following the end of each calendar quarter, each employer shall make a return to the Commissioner setting forth the compensation paid to and earnings tax withheld from employees, as well as the amount of tax remitted for the quarter.
  - (1) If the last day falls on a Saturday, Sunday, or legal holiday, the return shall be due on the next day that is not a Saturday, Sunday, or legal holiday.
  - (2) A return is required each quarter until the employer files a final return.

- (3) If no taxes have been withheld a return is still required to be filed until the employer files a final return.
- (e) *Annual returns.* Each employer shall make to the Commissioner a return for the preceding calendar year. All returns shall be in a form prescribed by the Commissioner and shall be subject to the rules and regulations prescribed therefore by the Commissioner and shall be accompanied by employee records containing the employer ID number (“EIN”), the employee’s name, social security number, city and state of residence, total wages earned, wages subject to the city earnings tax, and earnings tax withheld. To satisfy this requirement, the employer may file the Form W-2 information provided to the federal and/or state authorities for such year that includes this information. No part of this provision shall be construed to require any taxpayer to furnish the Commissioner with a copy of his federal or state income tax return.
- (1) *Due dates.* For annual returns for calendar years 2017 and all succeeding years, employers shall make this return on or before the last day of January, or the next succeeding day which is not a Saturday, Sunday, or legal holiday.
- (2) The gross compensation to be reported for each employee shall be for the full twelve calendar months of the year or such portion thereof as the employee reported on was employed.
- (3) In addition to the withholding statements, and at the time they are filed, each employer shall file with the Commissioner an Employer’s Annual Reconciliation of Earnings Tax Withheld on a form prescribed by the Commissioner, comparing the returns of earnings tax withheld to the total amount of taxes withheld as disclosed by the withholding statements. If there are any discrepancies between the Employer’s Annual Reconciliation of Earnings Tax Withheld and the Employer’s Quarterly Return then the quarterly filings must be amended.
- (f) *Penalties for noncompliance.* To encourage the prompt and complete filing of withholding returns, whenever any return, as required by this section, has after the due date, not been filed, not been filed with all the required information or employee records, not been filed with correct information, or not been filed in the required format or by the required method or medium, including electronic filing, the following penalties shall be assessed:
- (1) If a correct return is filed within 30 days after the due date, the penalty assessed is \$30.00 for each employee for whom the employer was required to withhold under this section, but the total penalties imposed for all such failures during any calendar year shall not exceed \$75,000.00.
- (2) If a correct return is filed more than 30 days after the due date but within 150 days after the due date, the penalty assessed is \$60.00 for each employee for

whom the employer was required to withhold, but the total penalties imposed for all such failures during any calendar year shall not exceed \$200,000.00.

- (3) If a correct return is not filed within 150 days after the due date, the penalty assessed is \$100.00 for each employee for whom the employer was required to withhold, but the total penalties imposed for all such failures during any calendar year shall not exceed \$500,000.00.

(g) *Exceptions to penalty.* The following are exceptions to the fees or penalties for noncompliance with filing requirements in subsection (f).

- (1) The penalty will not apply to any failure that was due to reasonable cause. This requires a showing that the failure was due to an event beyond the taxpayer's control or due to significant mitigating factors.
- (2) An inconsequential error or omission is not considered a failure to include correct information.

(h) *Accounting to employees.* Every employer withholding Kansas City, Missouri earnings tax shall furnish each employee or former employee with earnings in Kansas City, Missouri for the calendar year with a statement of his earnings and withholding for the preceding year.

- (1) The statement shall include the employer ID number ("EIN"), the employee's name, social security number, city and state of residence, total wages earned, wages subject to the city earnings tax, and earnings tax withheld and may be included on Form W-2.
- (2) The statement must be furnished to the employee on or before the last day of January, or the next succeeding day which is not a Saturday, Sunday, or legal holiday.

(i) *Remittance of earnings tax withheld.* Any employer who deducts and withholds the city earnings taxes from employees' earnings shall remit such tax timely.

- (1) Employers who remit withheld taxes to the State of Missouri on a quarter-monthly basis must remit earnings tax withheld to Kansas City, Missouri on the same quarter-monthly schedule.
- (2) Employers who remit withheld taxes to the State of Missouri on a quarterly basis must remit earnings tax withheld to Kansas City, Missouri on the same quarterly schedule.
- (3) Employers who remit withheld taxes to the State of Missouri on an annual basis must remit earnings tax withheld to Kansas City, Missouri on a quarterly schedule, following the quarterly schedule in section 1.386(i)(2).



- (4) Employers who remit no withheld taxes to the State of Missouri must remit earnings tax withheld to Kansas City, Missouri:
  - (A) Quarterly, if taxes withheld are \$1,000 or less annually.
  - (B) Monthly, if taxes are more than \$1,000 but less than \$12,000 annually.
  - (C) Quarter-monthly, if taxes are more than \$12,000 annually.
- (5) Employers may remit on alternative schedules pending the approval of the Commissioner.
- (6) Withholding may be remitted by mail, in person, online, or via ACH credit transactions.
  - (A) A remittance made by mail must be accompanied by a properly executed check for the amount due and include the taxpayer's name, address, federal tax identifying number, and city account number.
  - (B) A remittance made in person must be accompanied by cash, check, or credit/debit card and include the taxpayer's name, address, federal tax identifying number, city account number, and the amount being remitted.
  - (C) An online remittance must include information for an electronic check (ACH debit transaction) including valid bank account number, transit routing number for the financial institution, and type of account (checking or savings) or valid credit/debit card information. The online transaction must be processed on the taxpayers account established in the City's online system.
  - (D) Remittances may be made via ACH credit transactions through the Federal Reserve System. The ACH payment must be transmitted in the format prescribed by the Commissioner to include the taxpayer's name, federal tax identifying number, city account number and the account being remitted.
- (7) Employers must file and remit all returns and payments electronically via the city's approved online system; remittances may also be made via ACH credit payments.
- (j) *Change in remittance schedule.* Employers may petition the Commissioner in writing for a change in remittance frequency. If approved the frequency change will be effective the next quarterly filing period. If a requested change is not approved, the employer shall continue to remit on the established schedule. Requests should include the employer's name, address, federal identification

number and Kansas City, Missouri, withholding account number, and shall cite one of the following reasons for consideration:

- (1) The employer has a payroll in Kansas City, Missouri that is significantly smaller than or different from the rest of its Missouri payroll. In this case, the employer shall certify the portion of its total Missouri payroll that is paid for services rendered in the city.
  - (2) The employer has been assigned a new frequency by the State of Missouri.
- (k) *Final return required.* Any entity that ceases business and holds withholding tax that has not been remitted must make a final return and remittance to the Commissioner.
- (1) The final remittance of withheld taxes must be made according to the employer's regularly assigned frequency.
  - (2) A final quarterly return of earnings withheld must be filed for the quarter in which the entity ceased doing business. The date the business closed shall be indicated on the final quarterly return.
  - (3) A final annual reconciliation of earnings tax withheld must be filed by January 31 of the year following the calendar year in which the entity ceased business.
  - (4) Copies of the employees' Forms W-2 must be filed by January 31 of the following calendar year in which the entity ceases business.
- (l) *Exempted employees.* No employer shall be required to withhold the tax due on any earnings paid to employees for whom the employer is not required to withhold social security tax under the Federal Insurance Contributions Act (Chapter 21, Title 26, U.S. Code).
- (1) The lack of a withholding requirement will not, in and of itself, mean that the income is not subject to tax.
  - (2) An employer may voluntarily withhold tax due on earnings not subject to social security tax.
- (m) *Nonresident employers.* Any nonresident employer making payment of any earnings taxable under this article to a resident or nonresident who performs services partly or wholly within the city shall be subject to the provisions of this article.
- (n) Any nonresident employer will subject itself to the provisions of this article if it willingly withholds or opens a withholding account with the city for tax due under this article from residents of the city. However, a nonresident employer not

otherwise subject to the provisions of this article may discontinue withholding for resident employees at the employer's discretion.

- (o) The failure of any employer to withhold the earnings tax when required to do so by this Regulation or to remit the amount of tax withheld to the Commissioner in the time prescribed in this Regulation shall subject the employer to liability for the amount of the tax that should have been withheld or should have been remitted and any penalties and interest with respect thereto. The liability for the tax shall be discharged upon payment of the tax by the employee but the employer is not relieved of penalties and interest assessed for such failure or refusal.
  - (1) The failure of any employer to deduct or withhold at the source the amount of tax due from the employee shall not relieve the employee from the duty of making a return and paying the tax that is due but that was not withheld.
  - (2) If the employer has withheld the tax and failed to pay the tax withheld to the Commissioner, the employee is not liable for the tax so withheld.
  - (3) A Kansas City, Missouri employer, required to withhold the tax from a resident of the city for work done or services performed in another municipality, and who does so withhold and remit to such other municipality, shall be relieved from the requirements of withholding the Kansas City, Missouri tax from such resident of the city except where the rate of tax for such other municipality is less than the rate of tax imposed by the Kansas City, Missouri earnings tax ordinance. In such case the employer shall withhold and remit the difference to the Commissioner.
  - (4) In those cases in which the tax withheld during a tax year from an employee and remitted to the Commissioner by the employer is in excess of the amount owed by the employee for that year, the employee may obtain a refund by filing a return with the Commissioner, except that refunds will not be made unless claimed within one year from the end of the taxable period.
  - (5) In deducting and withholding the tax at source and in payment of tax due under the Ordinance, a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to one cent. No person shall be entitled to a refund merely because such rounding of the tax results in an apparent overpayment based on his total earnings.
  - (6) No person shall be required to withhold the tax on the wages or other compensation paid domestic servants employed exclusively in or about such person's residence, but such employee shall be subject to all of the requirements of the Ordinance.
  - (7) The tips or gratuities earned or received by an employee are earnings subject to the withholding provisions of the earnings tax when the employee has

collected or earned \$20.00 or more in tips in one month while working for the Kansas City, Missouri based employer. In the event that the employee earns or collects less than \$20.00 in tips, the withholding provisions do not apply and the employee is required to file an earnings tax return.

**§1.387 Returns by taxpayers.**

- (a) A tax return must be filed with the Commissioner:
  - (1) By each individual whose salaries, wages, commissions, or other compensation, are subject to the earnings tax, unless withholding is equal to or greater than the tax liability.
    - (A) All individuals whose salaries, wages, commissions or other compensation earned are taxable under section 1.382 of these regulations must file a Kansas City, Missouri Wage Earner Return, stating therein the aggregate amount of salaries, wages, commissions and other compensation subject to the earnings tax that is earned or received for the year covered by the return and such other pertinent facts and information in detail as the Commissioner may require.
    - (B) However, in the following instances a return is not required:
      - (i) Individuals for whom the full amount of earnings tax imposed by Kansas City, Missouri has been withheld are not required to file a Wage Earner Return.
      - (ii) Any individual taxpayer who has taxable earnings from which the Kansas City, Missouri taxes withheld exceed the taxpayer's Kansas City, Missouri tax liability if he does not seek a refund of any money withheld but not owing.
    - (C) A return must be filed by an individual who has taxable earnings from which taxes have not been withheld, regardless of whether such withholding was required.
    - (D) Individuals required to file a Wage Earner Return who also have net business profits that are taxable to Kansas City, Missouri shall file two returns, a Wage Earner Return and a Profits Return. Wages and related withholding shall be reported on the Wage Earner Return and business profits and losses, including the taxpayer's share of pass-through profits from a partnership, limited liability company, estate, or trust, shall be reported on the Profits Return.

- (E) Individuals required to file a Wage Earner Return shall file only one Wage Earner Return, regardless of the number of employers and other payers of compensation.
  - (F) Each individual required to file a Wage Earner Return shall file his own return. Married individuals may not file joint returns.
  - (G) Individuals required to file Wage Earner Returns may not reduce earnings by any expenses, even if those expenses are related to the generation of the earnings. Statutory employees should file Wage Earner Returns as regular employees, and no deductions are allowed to be taken from the gross earnings, except for items recognized under Section 1.382(d)(1)(B) and Section 92.113, RSMo
- (2) All taxpayers earning or receiving net earned profits or a net earned loss from a business, including profits passed through from another entity, must file a Profits Return. A return is required in all years, even those years in which a net loss is sustained.
- (A) An individual who is a resident of Kansas City, Missouri and who is a partner in a partnership shall file a profits tax return reporting his share of net income from the partnership.
    - (i) If the partnership has not paid the profits tax on behalf of all partners, payment of the tax shall accompany the return.
    - (ii) If the partnership has elected to pay the profits tax on behalf of all partners, but has not paid the full amount of a partner's share of the tax that partner shall attach a copy of the statement provided by the partnership showing the amount of tax paid on the partner's behalf. Any underpayment of tax attributable to the partnership income must be made by the partner and must accompany the return.
  - (B) A return is required even if a loss was incurred by the taxpayer for the previous calendar year. A loss in one year cannot be carried forward or back to another taxable year.
  - (C) An individual, but not an entity other than an individual, who operates, participates, or invests in multiple businesses that are subject to the profits tax shall file one return combining the net profits and losses from all businesses that are subject to Kansas City, Missouri tax on earnings and profits.
    - (i) If the taxpayer is a resident of Kansas City, Missouri, all profits and losses from all businesses of the taxpayer shall be combined.

- (ii) If the taxpayer is not a resident of Kansas City, Missouri, only the profits and losses apportioned to Kansas City, Missouri and subject to Kansas City, Missouri tax on earnings and profits shall be combined.
- (D) An individual who is subject to the earnings tax and who is required to elect to file an earnings tax return shall file a separate Profits Return.
- (3) By each business, corporation, fiduciary or other entity, whose profits are subject to the earnings or profits tax.
  - (A) The filing of consolidated returns by parent companies or subsidiary companies shall not be permitted, except as provided herein for disregarded entities.
    - (i) An entity treated as a disregarded entity for federal income tax purposes (such as certain single member limited liability companies) shall also be treated as a disregarded entity for the profits tax. The net profits of the disregarded entity shall be reported on the Profits Return of the owner of the disregarded entity.
- (4) An annual return:
  - (A) Calendar-year taxpayers must file by April 15 of the year following the taxable year.
  - (B) Fiscal-year taxpayers must file by the 15th day of the fourth month following the taxable year.
- (5) In a form prescribed by the Commissioner and showing the amount of tax due and owing and such other pertinent information as the Commissioner may require.
- (6) All returns shall be subject to audit and to correction or adjustment by the Commissioner, or his authorized delegate, as well as to reassessment of tax due, at any time during the latest of:
  - (A) The five years following the due date of such returns.
  - (B) The five years following the extended due date of such returns for which a valid extension is granted.
  - (C) The five years following later of the date, including extensions, the return was due, plus the number of days, if any, that the statute of limitations was waived by the taxpayer.

- (7) Any Profits Return filed shall include total income, total deductions and net profits and shall identify and eliminate items of income that are not subject to the profits tax, expenses that are directly attributable to that income, and all unallowable expenses.
- (8) Where space on the return is inadequate to clearly indicate how net earned profit was determined, additional schedules shall be attached.
  - (A) The Commissioner may require additional information at any time he deems necessary to verify the accuracy of any return.
  - (B) Schedules and statements needed to support tax returns shall be filed within the time limits set forth for filing the tax returns.
- (9) To be considered complete, valid, and filed, every return must be signed by the taxpayer under penalties of perjury.
  - (A) An individual must sign his own return unless he designates authority to sign on his behalf to another individual as allowed in section 1.387(g).
  - (B) A valid Power of Attorney must accompany any return signed by the taxpayer's designee. Kansas City, Missouri Form RD-PA or federal Form 2848 may be used.
  - (C) Returns for corporations must be signed by any authorized corporate officer or other authorized agent.
  - (D) Returns for partnerships must be signed by one general partner or, if a limited liability company (LLC), the LLC member manager.
  - (E) Returns for estates and trusts must be signed by the fiduciary for the entity.
- (10) Any tax return prepared by a tax return preparer shall include:
  - (A) The tax return preparer's signature, signed in a manner consistent with the allowed manner for signing a federal income tax return.
  - (B) The tax return preparer's identifying number, which may be any of the following:
    - (i) The tax return preparer's federal preparer tax identification number (PTIN).
    - (ii) The tax return preparer's social security number (SSN).

- (C) The date on which the return was signed by the tax return preparer.
- (b) Upon written request of the taxpayer made on or before the date for filing the return, an automatic extension of a period of not to exceed six months shall be granted if the taxpayer has, by the original due date of the return, paid at least 90% of the estimated tax liability for the period for which the extension is requested.
- (1) If a taxpayer is required to file a Wage Earner Return and a Profits Return, separate requests for extension must be filed for each return. Such copy must be:
- (A) A request for extension of time to file a Profits Return may be made by filing Form RD-111.
- (B) A request for extension of time to file a Wage Earner Return may be made by filing Form RD-112.
- (2) If an individual receives an automatic extension of time to file his federal return by virtue of serving in a combat zone, the time to file his Kansas City, Missouri returns will be extended for the same period as the federal return, regardless of the amount of tax owed with the return.
- (c) If an extension of time to file is granted, any tax deemed to be due and owing will be deemed to be due on the original due date.
- (1) A request for an extension of time to file must include a statement of:
- (A) The estimated tax liability for the period.
- (B) The amount that has been paid against the tax liability.
- (C) The estimated tax balance due after subtracting the amounts already paid from the tax liability.
- (D) Ninety percent of the amount determined in section 1.387(c)(1)(C) must be paid by the original due date of the tax return. If at the time the tax return is filed, less than ninety percent of the tax liability shown on the tax return was paid by the due date of the tax return, the balance not paid shall be subject to penalty and interest from the original due date of the return until the date of payment.
- (i) Example 1:
- ABC Corporation's tax year ends on December 31. ABC Corporation filed a request for extension (Form RD-111) to file its 2020 Profits



Return on April 10, 2021. The extension request listed an estimated tax liability of \$2,000. A payment of \$2,000 was made with the extension request. ABC Corporation filed their 2020 Profits tax return on October 13, 2021 reporting tax due of \$3,000 and made a \$1,000 payment with the return. The \$1,000 balance is subject to penalties and interest based on the original due date because the extension request failed to pay the required 90% based on the actual tax due.

(ii) Example 2:

Smith Corporation's tax year ends on December 31. Smith Corporation filed a request for extension to file its 2020 Profits Return on April 15, 2021. The extension request listed an estimated tax liability of \$5,000. A payment of \$3,000 was made with the extension request. Smith Corporation had an available credit of \$2,000 based on the 2019 Profits Return. Smith Corporation filed their 2020 Profits Return on October 10, 2021 reporting tax due of \$5,500 and made a \$500 payment with the return. The \$500 balance is not subject to penalties and interest because the extension request paid 90% of the actual tax due based on the payment and credit.

(2) When the return is filed within the extended filing period and a balance of tax due is indicated after all payments and credits provided in the Ordinance have been applied, the balance of tax due, together with interest on that balance, shall be paid. The interest shall be computed from the date the return was originally due, even though an extension has been granted.

(d) A taxpayer who files a Kansas City, Missouri return may subsequently file an amended return.

(1) The amended return may be filed to:

(A) Report and pay additional tax liability.

(B) Report a lower tax liability and file a claim for a refund. A claim for refund must be filed within one year from the end of the taxable period.

(C) Notify the city of a change on the federal and/or state tax return that affects the Kansas City, Missouri return. To avoid assessment of a penalty, a return amended for this reason must be filed within 90 days of the taxpayer's notification of the final change amount.

(2) A taxpayer may not change the method of accounting or method of apportionment of net profits after the due date for filing the original return, including extensions if a request for extension was granted for the original return.

- (e) Every taxpayer must retain records necessary to compute his tax liability for a period of five years from the date the return is due, including extensions if a request for extension was granted for the original return.
- (1) All taxpayers must maintain records that show:
- (A) The total amount of taxable wages.
  - (B) The amount of taxable wages subject to the earnings tax imposed by Kansas City, Missouri.
  - (C) The amount of Kansas City earnings tax withheld from wages.
  - (D) The amount of tax paid to another municipality, along with the wage amount subject to tax by the other municipality.
  - (E) Total gross business receipts along with substantiation of related allowable deductions.
- (2) A nonresident claiming a refund of earnings tax withheld must maintain records that support:
- (A) The total number of days worked. Examples of such records include calendars, appointment books, paystubs and time sheets.
  - (B) The total number of days worked outside of Kansas City, Missouri in their entirety. Examples of such records include calendars, appointment books, paystubs and time sheets, mileage logs, and travel receipts.
- (3) A part year resident must maintain records that support the dates of moves into and out of Kansas City, Missouri. Examples of such records include lease agreements, real estate closing documents, and utility bills.
- (4) A nonresident filing a Profits Return must maintain records that support:
- (A) Gross receipts within and without Kansas City, Missouri.
  - (B) Payroll within and without Kansas City, Missouri.
  - (C) Real and other tangible property owned and the locations of that property.
- (5) An employer required to withhold and remit earnings tax must maintain records that support:
- (A) Taxable amounts paid to Kansas City, Missouri residents.

- (B) Taxable amounts sourced to Kansas City, Missouri and earned by nonresidents.
  - (C) The residence of each employee.
  - (D) Amounts earned by and withheld from each employee.
- (f) Trustees of a trust and executors and administrators of estates having taxable income are required to file a return and:
- (1) Pay the tax on taxable amounts not passed through to beneficiaries; or
  - (2) File an informational return for each tax year in a form prescribed by the Commissioner. The informational returns shall list each member or beneficiary to whom profits tax liability flowed, and each corresponding address and social security or other tax identification number.
- (g) The Commissioner or other designated official is permitted to disclose all tax information, returns, reports or facts relating to a particular taxpayer's return to the duly authorized representative of the taxpayer with respect to the tax matter designated by the taxpayer.
- (1) In order for a third party to qualify as a duly authorized representative, the taxpayer must execute and file with the Division of Revenue a power of attorney designating the third party as taxpayer's duly authorized representative on a form prescribed by the Commissioner.
    - (A) City tax matters include all taxes and fees administered by the Division of Revenue.
  - (2) "Third party" includes the tax return preparer, a certified public accountant and an attorney.
  - (3) The power of attorney must be executed by an individual authorized to sign the return:
    - (A) In the case of an individual taxpayer, by the individual.
    - (B) In case of a partnership or limited liability company, by all members or by one of the members, or partners, duly authorized to act for the limited liability company or partnership who shall certify that he has authority.
    - (C) In the case of a corporation, by an officer of the corporation having authority to bind the corporation, who shall certify that he has authority;

(D) In the case of an estate, by any personal representative who shall provide evidence of his status as a personal representative with regard to Kansas City, Missouri taxes.

(E) In the case of a taxpayer who has appointed a trustee, by the duly authorized trustee.

**§1.388 Payment of tax to accompany return.**

Each taxpayer making a return shall at the time of the filing thereof pay to the Commissioner the amount of tax shown as due thereon.

- (a) If the amount shown as due on the return is less than ten dollars, no payment is required.
- (b) In determining the amount due, any prior payment made or tax withheld at source is subtracted from the total tax liability for the tax period. To receive credit for withholding, all Forms W-2, Schedules K-1, and other documents that include Kansas City, Missouri withholding must be submitted with the tax return.
  - (1) The Form W-2 must be submitted electronically by entering the information shown on the Form W-2 directly into the field provided for this information.
    - (A) Forms W-2 must be filed under the federal employer identification number used for filing annual withholding returns.
    - (B) The taxpayer must retain a copy of the Form W-2 for five years following the due date of the return.
    - (C) The taxpayer must provide a copy of all documents showing Kansas City, Missouri withholding upon the request of the Commissioner.
- (c) In determining the amount due, any income tax, profits tax, or earnings tax liability incurred with respect to another city, as calculated per section 1.392, is subtracted from the total tax liability for the year.
- (d) The balance, if any, shall be due and payable at the time of filing said return.

**§1.390 Limitations.**

No assessment shall be made by the Commissioner:

- (a) Of any tax found to be due after five years from the date the tax return was due including extensions. Provided however, that the Commissioner may, prior to the expiration of the limitation period prescribed herein, enter into an agreement, in

writing, with the taxpayer to extend the period for assessment to such date as mutually agreed.

- (1) If extended, the tax may be assessed at any time prior to the expiration of the period agreed upon.
  - (2) The agreed upon period may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.
- (b) For any tax that the amount due and owing including interest and penalties is less than ten dollars per tax period.

**§1.392 Credit for tax paid in another city.**

A credit shall be allowed to:

- (a) Every individual taxpayer who resides in the city but who receives earnings for work done or services rendered outside the city and has paid or has had withheld a city income or earnings tax on such profits or earnings in another city.
- (b) Every individual taxpayer who resides outside the city but who receives deferred payment of earnings for work done or services rendered at a time that he resided within the city so long as he has an income, earnings, or profits tax liability on such profits or earnings in another city.
- (c) The amount of the credit shall be limited to the lesser of:
  - (1) The amount actually due and paid or payable to the other city.
  - (2) One percent of the earnings or profits taxable to the other city and also taxable to Kansas City, Missouri.
- (d) No credit will be given unless the taxpayer claims such credit on his return for the tax year and presents adequate documentation of the tax liability and the earnings or profits subject to tax in the other city.
  - (1) For a credit against the earnings tax, taxpayers shall provide the following documentation:
    - (A) A copy of Form W-2 showing income taxable to the other city or a copy of the tax return filed with the other city.
  - (2) For a credit against the profits tax, taxpayers shall provide a copy of the tax return filed with the other city, showing the profits subject to tax and the tax on those profits.

**§1.393 Refunds.**

(a) When any taxpayer has paid during the taxable year more than the amount of the tax to which the city is entitled under the provisions of the earnings tax ordinance, a refund of the amount so overpaid shall be made.

~~(1) A wage earner refund request (including a refund from an extension payment) is required to follow the provisions of Section 139.031, RSMo in order to be a valid refund request.~~

~~(2)~~ The city shall apply the overpayment in the following order:

(A) First to any delinquent tax liability owed by the taxpayer to the city.

(B) The city shall next apply the overpayment to any interest owed by the taxpayer to the city.

(C) The city shall next apply the overpayment to any penalty owed by the taxpayer to the city.

(D) If the taxpayer owed delinquent amounts to the city for more than one year, the overpayment shall be applied first to all delinquent amounts for the earliest period before being applied to the next earliest period.

~~(3)~~ In the case of a partnership that has submitted a payment of tax on behalf of its partners, any refund may only be claimed by the partnership and may not be claimed by the individual partners.

~~(3)~~ Proper claim. A proper claim for refund of overpayment shall be completed whenever the taxpayer timely submits a current version of the applicable Wage Earner Return(s) or Profits Return, together with any documentation demonstrating that the taxpayer is entitled to a refund.

~~(4)~~ Due date. A proper claim for refund of such overpayment must be filed within one year from the end of the taxable period, in a manner prescribed by the Commissioner.

~~(5)~~ No refund of less than one dollar shall be allowed.

(b) No refund shall be made to any taxpayer until he has complied with all provisions of the Ordinance and has furnished all information required by the Commissioner.

(c) No interest shall be paid on any claim for refund.

(d) A married taxpayer must file a separate return from his or her spouse and may not make a joint claim for refund.

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**§1.394 Penalties and interest on unpaid tax.**

- (a) All taxes imposed by this article and remaining unpaid after they have become due shall be subject to penalties and interest as provided herein.
  - (1) A penalty is imposed on all taxes imposed by this article and remaining unpaid after they have become due, in the amount of five percent for each month or fraction of a month during which the failure to pay continues, not to exceed a maximum penalty of twenty-five percent of the unpaid tax.
  - (2) All taxes imposed by this article and remaining unpaid after they have become due shall be subject to interest at the rate of 12 percent per annum from the last date prescribed for payment to the date paid.
    - (A) For purposes of this section, the last date prescribed for the payment of tax shall be determined without regard to any extension of time.
    - (B) The interest imposed by this section is simple interest, not compounded.
- (b) If the estimated balance of tax due submitted with a timely request of extension of time to file is at least 90 percent of the amount due for that tax period, then no penalties will apply.
  - (1) Interest will accrue on unpaid amounts from the original due date of the return until such time as they are paid.
  - (2) For any amount remaining unpaid after the extended due date, penalties shall apply from the original due date of the return.
  - (3) Taxes withheld by an employer and remaining unpaid after they have become due shall be subject to a penalty of five percent per month from the date payment was due up to a maximum of 25 percent.
- (c) In addition to any other charges for interest or penalties which may be applicable, when any payment of taxes is not honored by the bank or other financial institution upon which the payment was drawn sections 50-114, 50-115, and 50-116 of the Kansas City, Missouri Code of Ordinances shall apply.

**§1.395 Duties and authority of Commissioner.**

The Commissioner is authorized and empowered to enforce and administer all provisions of the Earnings and Profits Tax Ordinance of the City, to examine returns and taxpayer records to be certain that the proper tax is paid, to enforce payment of all earnings and profits taxes owing the city, and to receive the tax imposed by the Ordinance in the manner prescribed therein from taxpayers. The Commissioner has authority to do any

acts necessary for the proper application of the Ordinance, and is expressly authorized and empowered, but not limited, to do the following:

- (a) *Collect and deposit taxes.* The Commissioner is authorized and empowered to collect and receive the tax, interest, and penalties imposed by the Ordinance and pay over the proceeds thereof to the city treasurer.
- (b) *Keep accurate records.* The Commissioner is authorized and empowered to keep accurate records for a minimum of five years showing the amount due from each taxpayer required to file or make any return, including but not limited to returns showing taxes withheld, and to show the dates and amounts of payments thereof.
- (c) *Adopt and enforce rules and regulations.* The Commissioner is authorized and empowered to adopt, promulgate, amend and enforce rules and regulations relating to any matter or thing pertaining to the application, administration or enforcement of the Ordinance. Any regulations adopted by the Commissioner are subject to approval by the City Council of Kansas City, Missouri, and shall not become final and effective until so approved.
  - (1) Such regulations, together with all amendments and supplements thereto, shall be on file with the City Clerk and at the office of the Commissioner and will be open to public inspection.
- (d) *Adopt and prepare returns and forms.* The Commissioner is authorized and empowered to adopt, prepare and make available all forms necessary to comply with the Ordinance.
- (e) *Conduct investigations:*
  - (1) The Commissioner or his duly authorized agent is authorized and empowered to examine the books, papers, records and returns made under this Ordinance of any employer, taxpayer, or person subject to the Ordinance, for the purpose of verifying the accuracy of any return made to the city, or if no return was made, to ascertain the tax due under the Ordinance.
  - (2) Within ten days following service of a written order of the Commissioner, or his duly authorized agents, any employer or taxpayer shall furnish the means, facilities and opportunity for making examinations and investigations authorized by the Ordinance.
    - (A) The order shall be served in person or in writing upon an individual employer or taxpayer, or in the case of a corporation, upon any corporate officer or managing agent.
    - (B) The order shall be served by the Commissioner or his duly authorized agent.



- (C) The Commissioner's order to examine any document mentioned in the preceding paragraph shall state whether the examination is to be at the office of the taxpayer or at the office of the Commissioner.
- (3) Authority to subpoena records and persons.
- (A) The Commissioner may compel the production of books, papers and records and the attendance of all persons before him, whether as parties or witnesses, whenever he believes such persons have knowledge of the facts concerning any supposed earned compensation or profits or supposed transactions of the taxpayer.
- (B) The Commissioner may order the appearance before him, or his duly authorized agent, of any party whom he believes to have any knowledge of a taxpayer's income or withholding, or any information pertaining to the taxpayer under investigation, whether or not the individual so ordered has actual custody of the records of the taxpayer being investigated. The Commissioner is specifically authorized to order the appearance of the local manager or representative of any taxpayer.
- (C) A person required to appear before the Commissioner shall be notified not less than ten days prior to the time of the appearance. The notice shall show the time and place the person is to appear and identify what books, papers or records the person is to make available at the appearance to the Commissioner.
- (D) The notice shall be served by the Commissioner or his duly authorized agent, by delivering it to the person named in the notice or by leaving the notice at his usual place of business or last known residence, or by mailing it to the person by certified mail, return receipt requested, addressed to his usual place of business or last known residence.
- (4) Retention of records. All employers and taxpayers are required to keep such records as will enable the filing of true and accurate returns whether of taxes withheld at the source or of taxes payable upon earnings or net profits or both.
- (f) *Waive penalties.* The Commissioner may waive all or any portion of penalties imposed under this article as a result of nonpayment of tax.
- (1) This authority may be exercised at the sole discretion of the Commissioner under special circumstances.
- (2) This authority shall in no way be construed so as to authorize the waiver, forgiveness or compromise of principal tax or interest by the Commissioner.

- (3) The Commissioner may also waive penalties by entering into voluntary disclosure agreements with taxpayers under criteria established by the Commissioner.
- (g) *Enter into agreements.* The Commissioner shall have the authority to enter into agreements with other taxing authorities on the federal, state, county or local levels for the exchange of tax information. However, all such agreements shall protect confidentiality and limit access only to other taxing authorities.
- (h) The Commissioner is authorized to arrange for the payment of unpaid taxes, other than taxes that have been withheld from wages, interest, and penalties on a schedule of installment payments.
- (1) Such authorization shall not be granted until proper returns are filed by the taxpayer for all amounts owed.
- (2) Interest and late payment penalties shall continue to accrue on all unpaid amounts until they are paid.
- (3) A request to make installment payments must be made to the Commissioner in the form prescribed by the Commissioner and must indicate:
- (A) The total amount of tax outstanding.
- (B) A proposed schedule of payment dates and amounts.
- (4) Failure to make any deferred payment when due shall cause the total unpaid amount, including penalty and interest, to become payable on demand and the provisions of Section 68-391 of the Ordinance shall apply.
- (A) When any taxpayer subject to the provisions of the Ordinance has filed a return indicating the amount of tax due and has failed to pay said tax into the city treasury as required by the Ordinance, the Commissioner need not issue an assessment but may proceed to collect the amount of the tax, penalty and interest due, under the provision of Section 68-391 of the Ordinance.
- (B) When an employer subject to the provisions of the Ordinance has filed a return indicating the amount of tax withheld and has failed to pay into the city treasury as required by the Ordinance, the Commissioner may proceed under the provisions of the Ordinance and need not issue an assessment.
- (i) *Assessment against delinquent taxpayers.* If the Commissioner determines that any taxpayer subject to the provisions of the Ordinance has a tax liability for which that taxpayer has filed no return or has filed an incorrect return and has failed to pay the full amount of tax due, the Commissioner shall issue an

assessment showing the amount of tax due together with penalty and interest that may have accrued thereon. The Commissioner may issue assessments manually or through the use of an automated system or systems. Such assessment shall be served upon the taxpayer by mailing to the taxpayer's last known address. If the taxpayer does not respond to the assessment, by contacting the Commissioner, within 30 days of the date of the mailing thereof, such assessment shall be deemed true and correct and may be recovered under the provisions of Section 68-391 of the Ordinance. If the taxpayer does respond to the assessment within 30 days of the date of the mailing thereof, the taxpayer is granted an additional 60 days to pay the assessment and file the necessary returns or to protest all or any part of any taxes assessed against him pursuant to Section 139.031, RSMo. The Commissioner is authorized to grant extensions of this 60 day period upon good cause. After the expiration of this 60-day period or any applicable extension, such assessment shall be deemed true and correct and may be recovered pursuant to Section of the Ordinance.

- (1) If the taxpayer has failed to file a return, the Commissioner's determination of the tax liability for the assessment shall be based on an estimate of earnings or net profits from any available information.

#### **§1.396 Taxpayer conferences following assessment.**

- (a) *Conference request, time for making and contents.* A taxpayer who disagrees with an assessment issued by the Commissioner may request a conference with the Commissioner by making a request in writing within thirty (30) days of the mailing of the assessment. The request shall be addressed to the Commissioner and shall include the taxpayer's name, address and taxpayer identification number, a copy of the notice of assessment in dispute, the tax period(s) in dispute, a statement of the items in the assessment with which the taxpayer disagrees, and the reasons for disagreement. Documents supporting the taxpayer's position, such as federal tax returns, financial statements, property deeds, Forms W-2, or other relevant documents may be submitted with the conference request. In the alternative, the taxpayer may submit such supporting documents at the conference or between the filing of the conference request and the date of the conference. The request may be delivered in person, by mail or by facsimile to the Commissioner, but must be received within thirty days of the mailing of the assessment. Failure to timely submit the request for conference or to include the required information shall result in a denial of the request for conference.
- (b) *Actions on conference request.* After receipt of the taxpayer's conference request, the Commissioner shall mail the taxpayer a notice within 120 days, at the address provided in the request, acknowledging the receipt of the conference request and notifying the taxpayer of one of the following actions taken on the request:
  - (1) That a conference will be held at a date and time stated in the notice;

- (2) That the conference request was denied because the request was not timely made or the request did not contain the required information; the taxpayer shall have an additional thirty days after notification the conference request was denied to pay the tax or to pay the tax under protest pursuant to Section 139.031, RSMo.
  - (3) That a conference will not be granted because the Commissioner was able to make a determination on the merits from the information contained in or submitted with the request for conference. The notice shall inform the taxpayer of such determination, after which the taxpayer shall have an additional thirty days to pay the tax or pay the tax under protest pursuant to Section 139.031, RSMo.
  - (4) That a conference will not be granted because the taxpayer provided new information that will be considered by the revenue agent assigned to the case, and a revised assessment will be made by the revenue agent. Any such revised assessment shall be treated as a new assessment for purposes of the taxpayer's right to respond.
- (c) *Continuances.* The taxpayer may be granted a continuance of a scheduled conference for good cause shown. Requests for continuance must be in writing and received no later than three days before the scheduled conference date.
- (d) *Conference procedure.* Conferences shall be conducted at city hall or such other location within the city designated by the Commissioner and subject to the confidentiality provisions of Section 68-400 of the Ordinance. The formal rules of evidence shall not apply. The taxpayer may be represented by an attorney licensed to practice in the state of Missouri, a certified public accountant licensed in the state of Missouri, an enrolled agent authorized to appear before the Internal Revenue Service, or such other persons as may be authorized under the regulations.
- (e) *Conference determination.* After the conference is held and the Commissioner has considered all of the information presented, the Commissioner shall make a determination affirming, reversing or revising the assessment, and shall mail the determination to the taxpayer. Failure by the taxpayer or his representative to attend a scheduled conference shall result in a determination affirming the assessment.
- (f) *Effect of conference on collection and time to pay under protest.* The granting of a taxpayer's request for conference shall suspend collection of the assessment and extend the taxpayer's time for payment under protest of the tax pursuant to Section 139.031, RSMo until thirty (30) days after the conference determination is mailed. Payment under protest and the filing of a petition for refund in circuit court following a conference determination shall be governed by the provisions of Section 139.031, RSMo. A conference determination shall be considered the final

determination of the assessment by the Commissioner, and shall be deemed true and correct and recoverable by the city under the provisions of Section 68-391 of the Ordinance if the assessment is not paid or paid under protest within 30 days of the mailing of the conference determination.

**§1.400 Penalty for divulging confidential information.**

Any information gained as a result of any returns, investigations, verifications or hearings required by the Ordinance or authorized by these rules and regulations shall be confidential and no disclosure thereof shall be made except for tax administration purposes. The tax administration purposes that would allow disclosure include the use of tax returns, tax assessment information and other taxpayer information gained as the result of an investigation or audit as evidence in court proceedings involving the earnings tax liability of that taxpayer. Nothing herein shall protect a taxpayer who is a party in a court proceeding involving the earnings tax from being identified by name in the lawsuit.

Any person otherwise willfully divulging such information shall be charged with an ordinance violation. In addition to the above penalty, any officer or employee of the city who violates the provisions of Section 68-400 of the Ordinance relative to the disclosure of confidential information shall be immediately dismissed from the service of the city.

**§1.402 Amendments to Regulations.**

- (a) From time to time, amendments and supplements to these regulations may be issued by the Commissioner, subject to the approval of the City Council of Kansas City, Missouri.
- (b) The Regulations and any amendments thereto shall be effective on the same date that the ordinance approving same shall become effective unless a different date is specified.



# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Mayor/Council's Office

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

Amending Chapter 68, Article VI, Code of Ordinances, by repealing Section 68-393 entitled “Refunds” and enacting in lieu thereof a new section of like number and subject matter; and repealing Earnings and Profits Tax Regulations Sections 1.381 through 1.402 and approving in lieu thereof new Earnings and Profits Regulations Sections 1.381 through 1.402 related to the same subject matter

### Discussion

This ordinance revises the codified refund provision related to earnings tax effective beginning with the 2022 tax year and also provides for the adoption of related earnings tax regulations to reflect the change in the Code provision. The revised provision allows taxpayers to file a proper claim for refund as prescribed by the Commissioner of Revenue so long as that claim is filed by the federal tax deadline for the tax year.

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

1000-211600 and 1000-452112 – earnings tax refund reserve

3. How does the legislation affect the current fiscal year?

No effect – sufficient funds exist to satisfy expected claims for refunds.

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

Yes, this changes the requirements for tax year 2022 and all future years. Additional funds may need to be allocated in future fiscal years to cover estimated refund claims.

5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

No.



# City of Kansas City, Missouri

## Docket Memo

### Office of Management and Budget Review

(OMB Staff will complete this section.)

- 1. This legislation is supported by the general fund.  Yes  No
- 2. This fund has a structural imbalance.  Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

### Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Finance and Governance (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Reform the City's economic incentives to meet the policy objectives of the City Council
- Ensure the resiliency of City government
- Engage in workforce planning including employee recruitment, development, retention, and engagement
- Ensure a responsive, representative, engaged, and transparent City government
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### Prior Legislation

Ordinance 220164 changed the refund process to align with RSMo 139.031.

### Service Level Impacts

N/A

### Other Impacts



# City of Kansas City, Missouri

## Docket Memo

1. What will be the potential health impacts to any affected groups?

Click or tap here to enter text.

2. How have those groups been engaged and involved in the development of this ordinance?

N/A

3. How does this legislation contribute to a sustainable Kansas City?

The proposed legislation supports the sustainability of the Earnings Tax.

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

NA

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

NA



# Ordinance No. 230158

Earnings Tax Refunds

Finance Department

Finance, Governance and Public Safety Committee

March 1, 2023



# Ordinance 230158

- Modifies the Code of Ordinances related to earnings tax refunds
  - Applies to 2022 and future tax years
- Adopts updated earnings tax regulations to reflect the Code changes

# Code Revisions

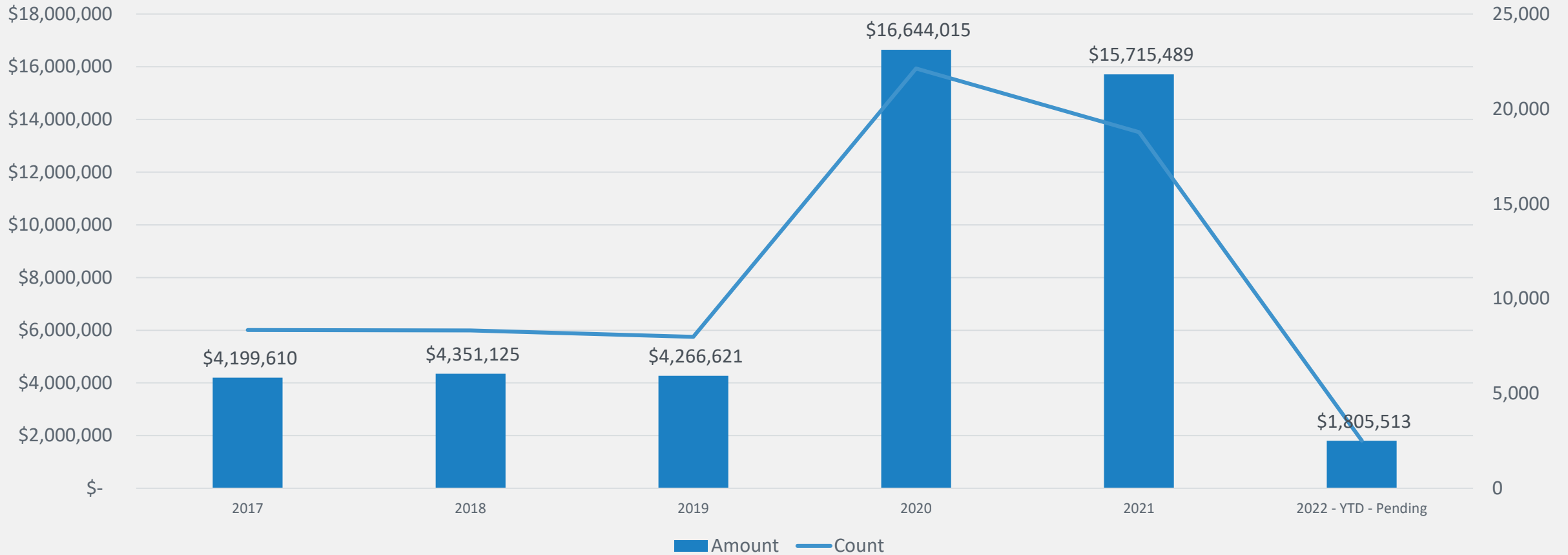
## Current

- Taxpayer must file and pay under protest pursuant to RSMo. 139.031
- Administrative burden on Finance Department staff and on taxpayer

## Proposed

- Taxpayer files Form 109 with Revenue Division on or prior to the tax filing deadline
  - Including proper documentation evidencing refund claim for tax year

# Wage Earner Refunds



# Fiscal Impact

- Refund Reserve Balance as of February 13, 2023 (Wage only)
  - \$8.5 million
- FY2023-24 Submitted Budget Refund Reserve (Wage only)
  - \$6.25 million
  - \$2 million additional needed to cover FY2023-24 (estimated)
    - Could handle as a budget amendment or address as needed with quarterly budget analysis

## Next Steps

- If passed:
  - Finance Department will update all outward-facing messaging to reflect new process
  - 2022 tax year refund requests received on or before April 18, 2023, will be processed under new Code provisions

# Questions?



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**File #: 230159**

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RESOLUTION NO. 230159

Sponsor: Mayor Quinton Lucas

Expressing the City Council's intent on allowable uses of potential revenues from a proposed three percent (3%) adult use marijuana sales tax

WHEREAS, Ordinance No. 220998 called for the submission to the voters of Kansas City, at an election to be held on the general municipal election date prescribed by Section 115.121.3, RSMo, of Tuesday, April 4, 2023, a question of whether to impose an additional sales tax of three percent (3%) on the retail sale of adult use marijuana; and

WHEREAS, the Missouri Constitution permits voters in cities to impose an additional sales tax of three percent (3%) on the retail sale of adult use marijuana; and

WHEREAS, the Missouri Constitution permits voters in cities to impose an additional sales tax on the retail sale of adult use marijuana to support efforts such as equitable neighborhood quality of life in the city, homeless prevention and outreach, and violence prevention and intervention initiatives;

WHEREAS, the Department of Public Works' Solid Waste Division is responsible for the abatement of neighborhood dumping and trash removal; and

WHEREAS, the Housing Department is responsible for implementing community-wide strategies to expedite assistance to the houseless and those at-risk of becoming houseless and creating strategies to reduce houselessness and generational poverty; and

WHEREAS, the Health Department is responsible for implementing holistic and evidence-based programs aimed at eradicating the root causes of crime, building healthy families, and fortifying strong communities to combat the public health crisis that is gun violence; and

WHEREAS, Partners for Peace is a collaboration between the City of Kansas City, the Kansas City Police Department, the Jackson County Prosecutor's Office, Jackson County COMBAT, and dozens of on-the-ground community organizations to disrupt volatile situations in real time to save lives; and



WHEREAS, further action will be needed to codify these funds and create a Partners for Peace Governing Board if the 3% adult use marijuana tax is passed by the voters; NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF KANSAS CITY:

Section 1. That the City Council hereby expresses its intent on distributing any potential revenue from a proposed 3% adult use marijuana sales tax in the following manner:

- a) 1/3rd for trash pick-up/neighborhood clean-up via the Public Works Department/Solid Waste Management Division;
- b) 1/3rd to expand homelessness response efforts via the Housing Department, including increasing shelter capacity, transitional and “extremely affordable” housing funding, and bolstering service provider responses to help people transition off the streets; and
- c) 1/3rd to expand violence prevention efforts via the Health Department.

Section 2. That the City Council hereby expresses its desire to establish eligible uses and priorities for violence prevention funds in the Department of Health.

- a. *Eligible Uses.* The eligible uses of violence prevention funds received from a proposed 3% adult use marijuana sales tax are: (1) mental and behavioral health programs, ((2) violence prevention and outreach programs, (3) reentry supports, 4) temporary or permanent relocation and services for victims, witnesses, or families affected by violent crime, 5) workforce development programming and (6) conflict resolution programming.
- b. *Administration.* Any funding going to outside agencies shall be allocated through a competitive process, with staff support from the Health Department as needed.
- c. *Priorities.* The Health Commission, shall prioritize funds for evidence-backed programming to combat violent crime, for programs serving individuals under the age of 25, and for agencies that receive 10% or less of their annual operating budget from the Jackson County Community Backed Anti-Drug Tax (COMBAT) during the current or upcoming fiscal year.
- d. *Administration Funds.* Up to 5% of funds can be used to cover costs of administering violence prevention funds.
- e. *Eligible applicants:* nonprofits or City departments, with priority for participating Partners for Peace agencies.
- f. *Annual Report.* The Health Department shall submit an annual report to the City Council on the impact of the fund.

..end

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# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Mayor/Council's Office

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

Expressing the City Council's intent on allowable uses of potential revenues from a proposed three percent (3%) adult use marijuana sales tax.

### Discussion

Click or tap here to provide [more detailed information and analysis](#) on this topic.

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

N/A

3. How does the legislation affect the current fiscal year?

Given then typical timeline delay for sales taxes to take effect, this legislation will not affect the current fiscal year.

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

N/A

5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

This legislation is estimated to generate \$3 million in a 12 month period. The fund to which this revenue will be applied is not yet determined.

### Office of Management and Budget Review

(OMB Staff will complete this section.)



# City of Kansas City, Missouri

## Docket Memo

- 1. This legislation is supported by the general fund.  Yes  No
- 2. This fund has a structural imbalance.  Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

### Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Finance and Governance (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Reform the City's economic incentives to meet the policy objectives of the City Council
- Ensure the resiliency of City government
- Engage in workforce planning including employee recruitment, development, retention, and engagement
- Ensure a responsive, representative, engaged, and transparent City government
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### Prior Legislation

Ordinance No. 220998

### Service Level Impacts

The City Council has the intent to use the potential revenue in the following manner: 1/3rd for trash pick-up/neighborhood clean-up via the Public Works Department/Solid Waste Management Division, 1/3rd to expand homelessness response efforts via the Housing Department, including increasing shelter capacity, transitional and “extremely affordable” housing funding, and bolstering service provider responses to help people transition off the streets, and 1/3rd to expand violence prevention efforts via the Health Department.

# City of Kansas City, Missouri

## Docket Memo

### Other Impacts

1. What will be the potential health impacts to any affected groups?

The Health Department shall submit an annual report to the City Council on the impact of the fund.

2. How have those groups been engaged and involved in the development of this ordinance?

N/A

3. How does this legislation contribute to a sustainable Kansas City?

N/A

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

N/A

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

N/A



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**File #: 230160**

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ORDINANCE NO. 230160

Sponsor: Councilmember Ryana Parks-Shaw

Waiving the limitations established by the Fund Balance and Reserve Policy in section 2-1954 of the Code of Ordinances; establishing Fund No. 2000, the Violence Prevention and Intervention Fund on the books of the City; appropriating \$30,000,000.00 from the Unappropriated Fund Balance of the General Fund; estimating revenue in the amount of \$30,000,000.00 in the Violence Prevention and Intervention Fund; appropriating \$30,000,000.00 from the Unappropriated Fund Balance of the Violence Prevention and Intervention Fund; establishing that the City's Health Commission shall advise and make recommendations to the Mayor and Council regarding the use of the Blueprint for Violence Prevention Fund; and recognizing this ordinance as having an accelerated effective date.

WHEREAS, Section 2-1954(h) of the Code of Ordinances prohibits allocations from the unappropriated general fund balance outside of the annual budget process or quarterly budget analysis except in the case of a state of emergency or whenever the allocation is accompanied by a commensurate increase or decrease in revenue in another general fund obligation; and

WHEREAS, the City Council desires to allocate funds from the unappropriated general fund balance outside of the annual budget process or quarterly budget analysis without declaration of a state of emergency or commensurate increase or decrease in revenue in another general fund obligation; and

WHEREAS, the City Council approved Resolution No. 200557 to adopt the Violence Free Kansas City Committee's KC Blueprint for Violence Prevention and a Safe and Healthy Community "the Blueprint"; and

WHEREAS, the desired funds will be allocated from the unallocated portion of the general fund to establish the Violence Prevention and Intervention Fund and implement the Blueprint; and

WHEREAS, the Council desires funds will be allocated at an amount of \$6,000,000 per year over a five-year period commencing with the fiscal year beginning May 1, 2023 to implement the Blueprint; and

WHEREAS, there is a need for Council to establish procedures and policies for administering the Violence Prevention and Intervention Fund; and

WHEREAS, the Health Department is in the best position to maintain requisitioning authority over such funds and to administer the Blueprint; NOW, THEREFORE,

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That the limitations set in place by Code of Ordinance Sec. 2-1954(h) are hereby waived for the limited purposes of this Ordinance.

Section 2. Fund No. 2000, the Violence Prevention and Intervention Fund, is hereby established on the books and records of the City.

Section 3. That the sum of \$30,000,000.00 is hereby appropriated form the Unappropriated Fund Balance of the General Fund to the following account:

23-1000-129998-X-902000	Transfer to Violence Prevention and Intervention Fund	\$30,000,000.00
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Section 4. That the revenue in the following account of the Violence Prevention and Intervention Fund is hereby estimated in the following amount:

23-2000-120000-501000	Transfer from the General Fund	\$30,000,000.00
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Section 5. That the sum of \$30,000,000.00 is hereby appropriated from the Unappropriated Fund Balance of the Violence Prevention and Intervention Fund to the following account:

23-2000-501905-B	Blueprint for Violence Prevention	\$30,000,000.00
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Section 6. The Director of Health is hereby designated as requisitioning authority for Account No. 23-2000-501905.

Section 7. The Health Department shall be responsible for developing and updating an evaluation process for the use of the Violence Prevention and Intervention Fund based upon principles in the Blueprint for Violence Prevention. Up to 5% annually of the Violence Prevention and Intervention Fund may be utilized for administrative expenses to manage applications, reporting, and compliance.

Section 8. Absent appropriation or receipt of additional funds to the Violence Prevention and Intervention Fund, no more than \$6 million of the Violence Prevention and Intervention Fund funds, as distinct and separate from other existing or future violence prevention efforts, shall be allocated per fiscal year during each of the five fiscal years commencing May 1, 2023.

Section 9. The City's Health Commission shall advise and make recommendations to the Mayor and Council regarding the annual disbursement of funds in the Violence Prevention and Intervention Fund. In no case shall Violence Prevention and Intervention Fund funding be

provided to any applicant outside the City of Kansas City which did not submit a request through the evaluation process established by the Health Department.

Section 10. The Health Department shall provide a semi-annual report to Council, Mayor, and the City Manager concerning the Violence Prevention and Intervention Fund.

Section 11. That this ordinance, because it appropriates money, is recognized as an ordinance with an accelerated effective date as provided by Section 503(a)(3)(C) of the City Charter and shall take effect in accordance with Section 503(a)(1) of the City Charter.

..end

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I hereby certify that there is a balance, otherwise unencumbered, to the credit of the appropriation to which the foregoing expenditure is to be charged, and a cash balance, otherwise unencumbered, in the treasury, to the credit of the fund from which payment is to be made, each sufficient to meet the obligation hereby incurred.

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Tammy L. Queen  
Director of Finance

Approved as to form:

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Samuel E. Miller  
Assistant City Attorney





# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Please Select

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

Waiving the limitations established by the Fund Balance and Reserve Policy in section 2-1954 of the Code of Ordinances; establishing Fund No. 2000, the Violence Prevention and Intervention Fund on the books of the City; appropriating \$30,000,000.00 from the Unappropriated Fund Balance of the General Fund; estimating revenue in the amount of \$30,000,000.00 in the Violence Prevention and Intervention Fund; appropriating \$30,000,000.00 from the Unappropriated Fund Balance of the Violence Prevention and Intervention Fund; establishing that the City’s Health Commission shall advise and make recommendations to the Mayor and Council regarding the use of the Blueprint for Violence Prevention Fund; and recognizing this ordinance as having an accelerated effective date.

### Discussion

Click or tap here to provide [more detailed information and analysis](#) on this topic.

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

23-1000-129998-X-902000      \$30,000,000.00

3. How does the legislation affect the current fiscal year?

No effect on current Fiscal Year

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

Yes, it has impact on future fiscal years.

\$6,000,000 per year for 5 years; FY24, FY25, FY26, FY27 and FY28

There is no recurring costs after FY28.



# City of Kansas City, Missouri

## Docket Memo

- 5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

No revenue is generated, this draws down the General Fund unappropriated fund balance.

### Office of Management and Budget Review

(OMB Staff will complete this section.)

- 1. This legislation is supported by the general fund.  Yes  No
- 2. This fund has a structural imbalance.  Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

### Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Housing and Healthy Communities (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Maintain and increase affordable housing supply to meet the demands of a diverse population
- Broaden the capacity and innovative use of funding sources for affordable housing
- Invest in neighborhood stabilization and revitalization to reduce blight, ensure sustainable housing, and improve the wellbeing of residents while sustaining their diverse cultures
- Ensure all occupants of residences have quality, efficient, and healthy housing with minimal economic or regulatory barriers
- Address the various needs of the City's most vulnerable population
- Utilize planning approaches to improve the City's neighborhoods

### Prior Legislation



# City of Kansas City, Missouri

## Docket Memo

Resolution No. 200557

### Service Level Impacts

Click or tap here to provide a description of how this ordinance will impact service levels. List any related key performance indicators and impact.

### Other Impacts

1. What will be the potential health impacts to any affected groups?  
Not available at this time
2. How have those groups been engaged and involved in the development of this ordinance?  
Not available at this time
3. How does this legislation contribute to a sustainable Kansas City?  
Not available at this time
4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?  
Not available at this time
5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?  
Not available at this time



APPROVED BY:

DATE

APPROVED BY: DEPARTMENT HEAD

DATE

James Sturdevant

2/28/2023



APPROVED BY:

DATE

APPROVED BY: DEPARTMENT HEAD

DATE

James Sturdevant

2/28/2023



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**File #: 230171**

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ORDINANCE NO. 230171

Sponsor: Director of the Finance Department

Levying taxes for Fiscal Year 2023-24 for the General Revenue, Health, General Debt and Interest, and Museum Special Revenue Funds on all property in Kansas City subject to taxation on January 1, 2023; providing for the extension of such levies by the Director of Finance; and authorizing the collection by the Director of Finance.

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That taxes for Fiscal Year 2023-24, commencing on the first day of May, 2023, in the total amount of one dollar seventy-one and eighteen hundredth cents (\$.7118) per hundred dollars, shall be and are levied on all property within the City subject to taxation on January 1, 2023, under the Constitution and laws of the State of Missouri, both real and tangible personal, subject to the provisions contained in Section 2 of this ordinance, as follows:

FIRST: A general tax of sixty and seventy-four hundredth cents (\$.6074) on each hundred dollars of the assessed valuation of all such taxable property is levied and imposed for municipal operating purposes, to be credited to the General Revenue Fund.

SECOND: A general tax of sixty and seven-six hundredth cents (\$.6076) on each hundred dollars of assessed valuation of all such taxable property is levied and imposed for municipal operating expenses for hospitals and public health purposes, to be credited to the Health Fund.

THIRD: The Council, pursuant to authority granted under Section 92.031, RSMo, in the alternative, elects to impose a tax for debt service of forty-eight cents (\$.4800) on each hundred dollars of assessed valuation of all such taxable property, which tax is necessary for the maintenance of the General Debt and Interest Fund for the redemption of the outstanding general obligation bonds of the City maturing in Fiscal Year 2023-24 and for the payment of all interest becoming due and payable in Fiscal Year 2023-24, on the entire outstanding general obligation bond indebtedness of the City, except indebtedness upon which the principal and interest are payable or budgeted for payment from other funds of the City.



FOURTH: A general tax of one and sixty-eight hundredth cents (\$.0168) on each hundred dollars of the assessed valuation of all such taxable property is levied and imposed for municipal museum purposes, to be credited to the Museum Special Revenue Fund.

Section 2. (a) In determining the amount of taxes levied by this ordinance upon property subject to such levy, the true value of such property shall be taken to be the valuation shown in the assessments returned by the Assessor for the county in which the property is located for Fiscal Year 2023-24, as equalized according to law; and this levy is made upon the basis of that valuation.

(b) The general taxes levied upon the real estate and tangible personal property, and other than the goods, wares and merchandise held by all merchants and raw material, merchandise, finished products, tools, machinery and appliances used or kept on hand by all manufacturers, shall be entered and extended by the Director of Finance in the land and tangible personal property tax records for 2023.

(c) The taxes herein levied above are levied at the levels authorized under the Missouri Constitution and Statutes upon the assessments as estimated at the time of levy, provided however, the Legislature having mandated equalization maintenance upon the receipt of equalized valuations, the Council shall proceed to revise and roll back, if required, the foregoing levy upon such equalized assessments in accordance with constitutional and statutory requirements and such taxes shall be extended, billed and collected in the manner provided by ordinance.

(d) The Director of Finance shall provide for the collection of all taxes levied by this ordinance.

..end

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I hereby certify that the levy specified in the THIRD paragraph of Section 1 of the foregoing ordinance is necessary for the maintenance of the General Debt and Interest Fund for the payment of principal and interest on the outstanding general obligation bond indebtedness of Kansas City, as stated therein.

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Tammy L. Queen  
Director of Finance

Approved as to form:

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Samuel E. Miller

Assistant City Attorney



# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Finance

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

Levying taxes for Fiscal Year 2023-24 for the General Revenue, Health, General Debt and Interest and Museum Special Revenue Funds on all property in Kansas City subject to taxation on January 1, 2023; providing for the extension of such levies by the Director of Finance; and authorizing the collection by the Director of Finance

### Discussion

Taxes for Fiscal Year 2023-24, commencing on the first day of May 2023, in the total amount of \$1.7118 per \$100, shall be levied upon all property within the City subject to taxation on January 1, 2023, under the Constitution and laws of the State of Missouri for both real and tangible personal property.

A general tax of 60.74 cents on each \$100 of the assessed valuation of all such taxable property is levied and imposed for municipal operating purposes to be credited to the General Fund.

A general tax of 60.76 cents on each \$100 of the assessed valuation of all such taxable property is levied and imposed for municipal operating expenses for hospitals and public health to be credited to the Health Levy Fund.

A tax of 48.00 cents on each \$100 of the assessed valuation of all such taxable property is imposed for purposes of paying debt service on outstanding general obligation bonds of the City.

A general tax of 1.68 cents on each \$100 of the assessed valuation of all such taxable property for municipal museum purposes, to be credited to the Museum Special Revenue Fund

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

Collecting Revenues for the General fund 1000 12000 45XXXX (various), Health fund 2330 120000 45XXXX (various), General Debt & Interest fund 5010 120000 45XXXX (various), Museum fund 2020 120000 45XXXX (various)

3. How does the legislation affect the current fiscal year?



# City of Kansas City, Missouri

## Docket Memo

The legislation does not affect the current year.

- 4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

Yes, it estimates revenues for Fiscal Year 2023-24.

- 5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

Yes, the legislation will generate revenue for fiscal year 2023-24.

### Office of Management and Budget Review

(OMB Staff will complete this section.)

- 1. This legislation is supported by the general fund. N/A
- 2. This fund has a structural imbalance. N/A

### Additional Discussion (if needed)

This legislation is for the purpose of levying taxes to support revenue generation in the General Fund, Health Fund, General Debt and Interest Fund, and Museum Fund.

## Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Finance and Governance (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Reform the City's economic incentives to meet the policy objectives of the City Council
- Ensure the resiliency of City government
- Engage in workforce planning including employee recruitment, development, retention, and engagement
- Ensure a responsive, representative, engaged, and transparent City government

## Prior Legislation

# City of Kansas City, Missouri

## Docket Memo

220195

### Service Level Impacts

Property tax collections significantly impact the City's ability to provide services. The general levy revenue is used to support basic services provided by the City such as public safety, road repair and emergency response. Revenues generated from the debt levy are used to meet the City's general debt obligations. Revenues generated from the health levy are dedicated to the health fund which supports care for the indigent. Revenues generated from the museum levy are used to support the Kansas City Museum.

### Other Impacts

1. What will be the potential health impacts to any affected groups?

Yes, the property taxes collected from the health levy are dedicated to the health fund and used to pay expenditures related to healthcare for the indigent and support Health Department programs.

2. How have those groups been engaged and involved in the development of this ordinance?

The City's budget office holds annual budget meeting with the community to gain insight about citizen's priorities. The revenue generated from property taxes will support the City's adopted budget.

3. How does this legislation contribute to a sustainable Kansas City?

The revenue generated from this legislation allows the City to meet its debt obligations as well as provide funding for the basic services provided by the City. This legislation also generates funds to provide healthcare services for the indigent.

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

No

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

N/A



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**File #: 230172**

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ORDINANCE NO. 230172

Sponsor: Director of the Finance Department

Setting the rates for the trafficway maintenance tax, the park and boulevard maintenance tax, and the boulevards and parkways front foot assessment at \$0.00 for Fiscal Year 2023-24 in accordance with Section 68-582 of the Code of Ordinances

WHEREAS, at the election held on August 7, 2012, the voters of the City of Kansas City, Missouri, approved a park sales tax of 1/2 cent authorized by Section 644.032 of the Revised Statutes of Missouri for the purpose of providing for the maintenance and operations of local parks, parkways, boulevards and community centers, to become effective January 1, 2013; and

WHEREAS, in approving the park sales tax at the August 7, 2012, election, the voters directed that the City cease billing and collecting the trafficway maintenance tax, the park and boulevard maintenance tax, and the boulevards and parkways front foot assessment by setting the assessment for each at \$0.00 effective January 1, 2013, and for each following year for as long as the park sales tax is in effect; and

WHEREAS, upon approval of the park sales tax on August 7, 2012, Section 68-582 of the Code of Ordinances was adopted, requiring that, beginning January 1, 2013, and each year thereafter when levies are set by the City Council as part of its annual budget deliberations, the City Council will adopt appropriate ordinances that establish the park and boulevard maintenance taxes and trafficway maintenance taxes at \$0.00, and establish the boulevards and parkways front foot assessments at \$0.00; and

WHEREAS, at their meeting held on January 24, 2023, the Board of Parks and Recreation Commissioners passed a resolution recommending to the City Council that the assessment for the park and boulevard maintenance tax and the boulevards and parkways front foot assessment each be set as \$0.00 for Fiscal Year 2023-24; NOW, THEREFORE,

**BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:**

Section 1. That for the purpose of maintaining, adorning, constructing, repairing and otherwise improving the parks, parkways, boulevards, roads and grounds located in the City under the control and management of the Board of Parks and Recreation Commissioners, a maintenance tax of \$0.00 on each hundred dollars of the assessed value upon real estate,

exclusive of buildings and improvements, not exempted by law from taxation is imposed and levied according to the valuation and assessment of real estate for Fiscal Year 2023-24.

Section 2. That for the purpose of maintaining, repairing, and otherwise improving the boulevards, parkways, roads, streets, avenues and highways under the control and management of the Board of Parks and Recreation, there is levied for Fiscal Year 2023-24, a special assessment of \$0.00 per lineal foot on all lots, tracts, and parcels of land, abutting the boulevards, parkways, roads, streets, avenues and highways under the control and management of the Board of Parks and Recreation Commissioners.

Section 3. That there is hereby levied upon all real estate, exclusive of all improvements, not exempt by law from general taxation in the North, East and West Trafficway Districts, as established in Sections 2-1934, 2-1935 and 2-1936, respectively, of the Code of Ordinances, a special assessment of \$0.00 on each hundred dollars of the assessed value of real estate, exclusive of improvements, the assessed value to be the same as shown by the books of the Director of Finance for the assessment of real estate in the North, East and West Trafficway Districts made for general City purposes for Fiscal Year 2023-24 as to all real estate listed on the books for taxation for general City purposes.

..end

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Approved as to form:

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Samuel E. Miller  
Assistant City Attorney



# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Finance

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

Setting the rates for the trafficway maintenance tax, the park and boulevard maintenance tax, and the boulevards and parkways front foot assessment at \$0.00 for Fiscal Year 2023-24 in accordance with Section 68-582 of the Code of Ordinances

### Discussion

In 2012, the voters of Kansas City, Missouri approves a park sales tax of 1/2 cent for the purpose of maintenance and operations of local parks, parkways, boulevards, and community centers. In approving this sales tax, the voters directed the City cease billing and collecting the trafficway maintenance tax, the park and boulevard maintenance tax, and the boulevards and parkways front foot assessment by setting each assessment at \$0.00

Every year the Board of Parks and Recreation Commissions passes a resolution recommending to the City Council that these assessments be set as \$0.00 for the following fiscal year. When levies are set by the City Council as part of its annual Budget deliberations, the City Council will adopt the ordinances that establish the park and boulevard maintenance taxes, trafficway maintenance taxes, and boulevard and parkway front foot assessments at \$0.00

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

N/A

3. How does the legislation affect the current fiscal year?

N/A

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

This legislation sets the the park and boulevard maintenance tax, trafficway maintenance tax, and boulevard and parkway front foot assessment at \$0.00

5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?





# City of Kansas City, Missouri

## Docket Memo

This legislation is submitted annually to support the park sales tax.

### Office of Management and Budget Review

(OMB Staff will complete this section.)

- 1. This legislation is supported by the general fund.  Yes  No
- 2. This fund has a structural imbalance.  Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

### Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Finance and Governance (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Reform the City's economic incentives to meet the policy objectives of the City Council
- Ensure the resiliency of City government
- Engage in workforce planning including employee recruitment, development, retention, and engagement
- Ensure a responsive, representative, engaged, and transparent City government

### Prior Legislation

220196

### Service Level Impacts

N/A

### Other Impacts

1. What will be the potential health impacts to any affected groups?

N/A



# City of Kansas City, Missouri

## Docket Memo

2. How have those groups been engaged and involved in the development of this ordinance?

N/A

3. How does this legislation contribute to a sustainable Kansas City?

N/A

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

N/A

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

N/A



**File #: 230173**

ORDINANCE NO. 230173

Sponsor: Director of the Finance Department

Amending Chapter 78, Code of Ordinances, entitled “Water” by repealing Sections 78-6, 78-8, 78-10, and enacting in lieu thereof new sections of like number and subject matter that adjust charges for water service; and establishing an effective date.

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That Chapter 78 of the Code of Ordinances of Kansas City, Missouri, entitled “Water”, is hereby amended by repealing Sections 78-6, 78-8, and 78-10 and enacting in lieu thereof new sections of like number and subject matter that adjust charges for water service to read as follows:

**Sec. 78-6. General meter rate.**

For all water purchased for use wholly and exclusively within the city by any accountholder the general meter rate charge shall be the sum of the service charge and the commodity charge, and as prescribed in Section 78-11. The service charge and the commodity charge shall be determined as follows:

- (1) Service charge. The service charge is a charge per meter or service connection, to cover, in part, the cost of various services, and shall be prorated per day during the billing period and shall apply whether or not any water is used; the service charge shall be based on meter size and billing frequency as follows, unless otherwise provided herein:

Meter Size (inches)	Billed Monthly
5/8	\$16.15
3/4	17.45
1	21.35
1½	25.70
2	40.70
3	139.50

4	175.50
6	261.00
8	377.00
10	497.00
12	585.00

(2) Commodity charge. The commodity charge shall be based on the total volume of water purchased by the accountholder as shown by all water meters connected to one or more water services serving a single property of the accountholder and shall be as follows per month for metered water:

a. Ordinary commodity charge.

First 600 cubic feet at \$5.41 per 100 cubic feet, or a portion thereof;

Next 4,400 cubic feet at \$6.01 per 100 cubic feet or a portion thereof;

Next 995,000 cubic feet at \$5.14 per 100 cubic feet or a portion thereof;

Over 1,000,000 cubic feet at \$3.56 per 100 cubic feet or a portion thereof.

b. Seasonal off-peak commodity charges. For industrial customers with peak demand in the winter season:

All usage at \$3.38 per 100 cubic feet or a portion thereof;

The director of water services is hereby authorized to promulgate regulations to be used for determining the applicability of this subsection.

(3) Manual meter reading charges.

a. The service charges set out in this chapter assume use of the city's automatic meter reading system. In cases where the automatic meter reading system could not be installed due to action or inaction on the accountholder's part, including lack of access to meter, improper meter setting, accountholder refusal, or other reasons, a charge of \$21.37 for manual meter reading will be applied each time that a meter is attempted to be read manually.

b. When manual meter reading registers no water use for a period of 12 consecutive months, the water services department may cease monthly meter reading and begin reading the meter every six months. At that time, it will no longer charge the separate manual meter reading fee; however, a service charge of \$128.22 for the six-month read period shall apply.

- (4) Definitions (as used in this section).
- a. Residential account shall refer to all one- and two-family dwelling water service accounts.
  - b. Commercial and industrial accounts shall refer to all water service accounts other than one- and two-family dwellings.
  - c. Month and monthly shall refer to a time period of approximately 30 days.
  - d. Accountholder shall refer to any owner or occupant of real property, or any customer or consumer of water services.

**Sec. 78-8. Fire protection rates.**

(a) The rate for an unmetered water service connection to hydrants, hose connection or sprinkling systems purchased and used solely and exclusively for fire protection purposes, including all water used for fire protection shall be as set out in the chart below.

Size of Connection	Rate Per Annum
4-inch and less	\$131.00
6-inch	386.00
8-inch	822.00
10-inch	1,479.00
12-inch	2,389.00
16-inch	5,091.00

(b) The size, location and arrangement of any fire protection services are subject to the approval of the director of the water services department.

(c) All meters, valves and hydrants controlling or in connection with such fire protection services shall be sealed by the water services department. A fee of \$205.00 shall be charged for each meter, valve or hydrant requiring resealing in the absence of evidence that the meter, valve or hydrant seal was broken in operation against a fire or in operations pursuant to system testing by a fire underwriting agency and properly certified by such testing agency.

(d) Direct connections between the fire protection and drain piping on all premises are not permitted, and drawings which show the location of all fire protection piping may be required by the water services department. The repeated, unauthorized breakage of seals on any premises may be taken as evidence that water is being used without authorization; and in such case the water services department may require the installation of a meter designed for fire

protection and in addition to other charges set out above also assess charges therefore in accordance with section 78-6.

(e) Fire protection services shall be billed to the owner of record of the real property.

**Sec. 78-10. Suburban meter rate.**

(a) For any and all water purchased wholly or partially for use outside the city by any accountholder, a total charge consisting of a service charge, a commodity charge, a re-pumping charge where applicable, shall be computed for each billing period and shall be as follows:

(1) *Service charge.* A service charge, prorated per day during the billing period based on meter size, with such charge to be applied whether or not any water is used, shall be charged as follows;

Meter Size (inches)	Billed Monthly
5/8	\$17.15
3/4	18.40
1	22.50
1½	28.00
2	43.00
3	140.00
4	176.50
6	262.50
8	379.00
10	499.00
12	588.00

The service charges as established in this subsection may be superseded by any contract between the city and any other public water supply which provides for an interchange agreement.

(b) *Commodity charge.* A commodity charge per month, based on the total volume of water purchased by the accountholder as shown by all water meters connected to one or more water systems serving the accountholder's premises, shall be charged as follows:

(1) Retail customers. For accountholders purchasing water for use wholly by the accountholder:

First 5,000 cubic feet at \$5.63 per 100 cubic feet or a portion thereof;

Over 5,000 cubic feet at \$4.51 per 100 cubic feet or a portion thereof.

- (2) Wholesale customers. For accountholders purchasing water for resale:

Unrestricted: \$2.56 per hundred cubic feet or a portion thereof;

Restricted: \$2.46 per hundred cubic feet or a portion thereof;

Wholesale customers shall be classified as restricted or unrestricted based on water supply contract terms between the city and other contracting entity.

(c) *Repumping charge.* A repumping charge based on the quantity of purchased water repumped shall be charged to wholesale suburban customers only as follows:

- (1) From the pumping station at 75th and Holmes Street; from the pumping station at Highway AA near the Village of Waukomis in Platte County, Missouri; from the Blue Ridge Pumping Station at 67th Street and Blue Ridge Boulevard; from the pumping station at Englewood Road and North Oak Trafficway; from Arrowhead Pumping Station at NE 75th and Arrowhead Trafficway, and from the South Terminal Pump Station at Ward Road and Persells, per 100 cubic feet, \$0.22 or a portion thereof.
- (2) From the pumping station at 131st Street and Prospect Avenue; from the High Grove Road Pumping Station, and from the Platte County Booster Pump Station at Camden Point Highway E and Interurban Road, per 100 cubic feet, \$0.30 or a portion thereof.

(d) *Definition.* The term "month" or "monthly," as used in this section shall refer to a time period of approximately 30 days.

(e) *Applicability.* Rates set forth in this section may not be applicable where such rates are established by existing or future contracts.

Section 2. This ordinance shall become effective on May 1, 2023.

..end

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Approved as to form:

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Nicole Rowlette  
Senior Associate City Attorney



# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Water Services

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

FY2024 Water Rate Ordinance. This ordinance is part of the overall FY2024 budget ordinance in that it sets the rates for water usage and treatment for the different customer classes that utilize the drinking water system.

### Discussion

The City of Kansas City Water System determines its revenue requirements as part of its budgetary process for the upcoming fiscal year. This review includes a cost of service analysis that adheres to water industry standards which are used to appropriately allocate costs and set rates associated with the various customer classes that use the system. The recommended revenue increase is necessary in part to meet increased operation and maintenance costs and address capital improvement needs. Further, passage of this ordinance continues the funding of the renewal and replacement fund and maintaining cash reserves to ensure adequate capital reinvestment in the system, which in the long term will support the overall costs for maintaining water assets. The ordinance will provide the utility an overall 5% water revenue increase. The fees and charges reflect the projected costs to operate the Water Utility and provide services to its customers. The rate structure is proposed to be effective on billings for usage on or after May 1, 2023. For billings prior to May 1, 2023, the current rates continue to apply.

### Fiscal Impact

1. Is this legislation included in the adopted budget?     Yes     No

2. What is the funding source?

Rates and user fees collected from users of the KCMO Water System.

3. How does the legislation affect the current fiscal year?

It does not. It affects the upcoming fiscal year FY2024, effective May 1, 2023.

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

It increases water rates in FY2024 in order to meet increased costs placed on the system by demand from the different customer classes.





# City of Kansas City, Missouri

## Docket Memo

- 5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

Yes it generates revenue through the rates specified in the ordinance. The rates along with demand put on the system by customers will determine the revenue collected by the water utility and enable the utility to cover the costs of operating in FY 2024 and make capital investments to repair and improve the system.

### Office of Management and Budget Review

(OMB Staff will complete this section.)

- 1. This legislation is supported by the general fund.  Yes  No
- 2. This fund has a structural imbalance.  Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

### Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Infrastructure and Accessibility (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Enhance the City's connectivity, resiliency, and equity through a safe, efficient, convenient, inclusive, accessible, sustainable and better connected multi-modal transportation system
- Develop environmentally sound and sustainable infrastructure strategies that improve quality of life and foster economic growth
- Increase and support local workforce development and minority, women, and locally-owned businesses
- Engage in efforts to strategically invest in the City's infrastructure and explore emerging technologies
- 
-

# City of Kansas City, Missouri

## Docket Memo



### Prior Legislation

FY2023 Water Rate Ordinance #220197.

### Service Level Impacts

This ordinance will enable KC Water to continue to provide reliable clean drinking water service to ratepayers. It will also enable the utility to fulfill critical staff positions, reliably operate the Water Treatment Plant, and adhere to regulatory compliance and employee safety standards. It also allows the water utility to continue work on the water main replacement program.

### Other Impacts

1. What will be the potential health impacts to any affected groups?

The revenue collected from rates set in this ordinance will enable KCMO to continue to cover the operating and capital cost associated with providing clean drinking water to the City's residents and businesses.

2. How have those groups been engaged and involved in the development of this ordinance?

N/A

3. How does this legislation contribute to a sustainable Kansas City?

This rate increase will contribute to sustainability by ensuring adequate capital reinvestment in the system and maintaining service levels, which in the long term will keep overall costs manageable for maintenance and operation of the drinking waer system.

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

N/A

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

N/A

COMPARED VERSION  
NEW ORDINANCE TO CODE BOOKS

ORDINANCE NO. 230173

Amending Chapter 78, Code of Ordinances, entitled “Water” by repealing Sections 78-6, 78-8, 78-10, and enacting in lieu thereof new sections of like number and subject matter, that adjust charges for water service; and establishing an effective date.

..body

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That Chapter 78 of the Code of Ordinances of Kansas City, Missouri, entitled “Water”, is hereby amended by repealing Sections 78-6, 78-8, and 78-10 and enacting in lieu thereof new sections of like number and subject matter that adjust charges for water service to read as follows:

**Sec. 78-6. General meter rate.**

For all water purchased for use wholly and exclusively within the city by any accountholder the general meter rate charge shall be the sum of the service charge and the commodity charge, and as prescribed in Section 78-11. The service charge and the commodity charge shall be determined as follows:

- (1) Service charge. The service charge is a charge per meter or service connection, to cover, in part, the cost of various services, and shall be prorated per day during the billing period and shall apply whether or not any water is used; the service charge shall be based on meter size and billing frequency as follows, unless otherwise provided herein:

Meter Size (inches)	Billed Monthly
5/8	\$16.15
3/4	17.45
1	21.35
1½	25.70
2	40.70
3	139.50
4	175.50
6	261.00
8	377.00

10	497.00
12	585.00

(2) Commodity charge. The commodity charge shall be based on the total volume of water purchased by the accountholder as shown by all water meters connected to one or more water services serving a single property of the accountholder and shall be as follows per month for metered water:

a. Ordinary commodity charge.

First 600 cubic feet at \$5.41 per 100 cubic feet, or a portion thereof;

Next 4,400 cubic feet at \$6.01 per 100 cubic feet or a portion thereof;

Next 995,000 cubic feet at \$5.14 per 100 cubic feet or a portion thereof;

Over 1,000,000 cubic feet at \$3.56 per 100 cubic feet or a portion thereof.

b. Seasonal off-peak commodity charges. For industrial customers with peak demand in the winter season:

All usage at \$3.38 per 100 cubic feet or a portion thereof;

The director of water services is hereby authorized to promulgate regulations to be used for determining the applicability of this subsection.

(3) Manual meter reading charges.

a. The service charges set out in this chapter assume use of the city's automatic meter reading system. In cases where the automatic meter reading system could not be installed due to action or inaction on the accountholder's part, including lack of access to meter, improper meter setting, accountholder refusal, or other reasons, a charge of \$21.37 for manual meter reading will be applied each time that a meter is attempted to be read manually.

b. When manual meter reading registers no water use for a period of 12 consecutive months, the water services department may cease monthly meter reading and begin reading the meter every six months. At that time, it will no longer charge the separate manual meter reading fee; however, a service charge of \$128.22 for the six-month read period shall apply.

(4) Definitions (as used in this section).

- a. Residential account shall refer to all one- and two-family dwelling water service accounts.
- b. Commercial and industrial accounts shall refer to all water service accounts other than one- and two-family dwellings.
- c. Month and monthly shall refer to a time period of approximately 30 days.
- d. Accountholder shall refer to any owner or occupant of real property, or any customer or consumer of water services.

**Sec. 78-8. Fire protection rates.**

(a) The rate for an unmetered water service connection to hydrants, hose connection or sprinkling systems purchased and used solely and exclusively for fire protection purposes, including all water used for fire protection shall be as set out in the chart below.

Size of Connection	Rate Per Annum
4-inch and less	\$131.00
6-inch	386.00
8-inch	822.00
10-inch	1,479.00
12-inch	2,389.00
16-inch	5,091.00

(b) The size, location and arrangement of any fire protection services are subject to the approval of the director of the water services department.

(c) All meters, valves and hydrants controlling or in connection with such fire protection services shall be sealed by the water services department. A fee of \$205.00 shall be charged for each meter, valve or hydrant requiring resealing in the absence of evidence that the meter, valve or hydrant seal was broken in operation against a fire or in operations pursuant to system testing by a fire underwriting agency and properly certified by such testing agency.

(d) Direct connections between the fire protection and drain piping on all premises are not permitted, and drawings which show the location of all fire protection piping may be required by the water services department. The repeated, unauthorized breakage of seals on any premises may be taken as evidence that water is being used without authorization; and in such case the water services department may require the installation of a meter designed for fire protection and in addition to other charges set out above also assess charges therefore in accordance with section 78-6.

(e) Fire protection services shall be billed to the owner of record of the real property.

**Sec. 78-10. Suburban meter rate.**

(a) For any and all water purchased wholly or partially for use outside the city by any accountholder, a total charge consisting of a service charge, a commodity charge, a re-pumping charge where applicable, shall be computed for each billing period and shall be as follows:

- (1) *Service charge.* A service charge, prorated per day during the billing period based on meter size, with such charge to be applied whether or not any water is used, shall be charged as follows;

Meter Size (inches)	Billed Monthly
5/8	\$17.15
3/4	18.40
1	22.50
1½	28.00
2	43.00
3	140.00
4	176.50
6	262.50
8	379.00
10	499.00
12	588.00

The service charges as established in this subsection may be superseded by any contract between the city and any other public water supply which provides for an interchange agreement.

(b) *Commodity charge.* A commodity charge per month, based on the total volume of water purchased by the accountholder as shown by all water meters connected to one or more water systems serving the accountholder's premises, shall be charged as follows:

- (1) Retail customers. For accountholders purchasing water for use wholly by the accountholder:

First 5,000 cubic feet at \$5.63 per 100 cubic feet or a portion thereof;

Over 5,000 cubic feet at \$4.51 per 100 cubic feet or a portion thereof.

- (2) Wholesale customers. For accountholders purchasing water for resale:

Unrestricted: \$2.56 per hundred cubic feet or a portion thereof;

Restricted: \$2.46 per hundred cubic feet or a portion thereof;

Wholesale customers shall be classified as restricted or unrestricted based on water supply contract terms between the city and other contracting entity.

(c) *Repumping charge.* A repumping charge based on the quantity of purchased water repumped shall be charged to wholesale suburban customers only as follows:

- (1) From the pumping station at 75th and Holmes Street; from the pumping station at Highway AA near the Village of Waukomis in Platte County, Missouri; from the Blue Ridge Pumping Station at 67th Street and Blue Ridge Boulevard; from the pumping station at Englewood Road and North Oak Trafficway; from Arrowhead Pumping Station at NE 75th and Arrowhead Trafficway, and from the South Terminal Pump Station at Ward Road and Persells, per 100 cubic feet, \$0.22 or a portion thereof.
- (2) From the pumping station at 131st Street and Prospect Avenue; from the High Grove Road Pumping Station, and from the Platte County Booster Pump Station at Camden Point Highway E and Interurban Road, per 100 cubic feet, \$0.30 or a portion thereof.

(d) *Definition.* The term "month" or "monthly," as used in this section shall refer to a time period of approximately 30 days.

(e) *Applicability.* Rates set forth in this section may not be applicable where such rates are established by existing or future contracts.

Section 2. This ordinance shall become effective on May 1, 2023.

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Approved as to form:

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Nicole Rowlette  
Senior Associate City Attorney



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**File #:** 230174

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ORDINANCE NO. 230174

Sponsor: Director of the Finance Department

Amending Chapter 60, Code of Ordinances, entitled Sewers and Sewage Disposal, by repealing Sections 60-2 and 60-3 and enacting in lieu thereof new sections of like number and subject matter that adjust charges for sewer service; and establishing an effective date.

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That Chapter 60 of the Code of Ordinances of Kansas City, Missouri, entitled Sewers and Sewage Disposal, is hereby amended by repealing Sections 60-2, and 60-3 and enacting in lieu thereof new sections of like number and subject matter to read as follows:

**Sec. 60-2. Sewer charges for resident users.**

There are hereby established charges against every person and for every property, partnership, corporation, association, and other entity within the city limits having an actual or available connection with the city's sanitary sewer system, or discharging sewage, industrial waste, water or other liquid into the system. Charges shall be prorated per day during the billing period. Such charges are to be the sum of service charges, volume and high concentration charges to be computed and levied as follows and as prescribed in Section 60-9:

- (1) *Service charges.*
  - a. Sanitary sewer. A service charge of \$26.89 per month to cover in part the cost of providing various services, and shall be prorated per day during the billing period and shall apply whether or not any sewage or wastes are actually discharged to the city sewer during the billing period; such charges are to be made each month.
  - b. Wastewater discharge permits. Commercial and industrial users shall pay for the cost of the wastewater discharge permitting program as described and authorized in article IV of this chapter. Charges as authorized in article IV of this chapter shall be billed and collected with the commercial or industrial users' normal water and/or sewer billing charges.



- (2) *Volume charges.* A volume charge of \$10.85 per 100 cubic feet (ccf), or a portion thereof, based upon the total volume of water purchased by the customer during the billing period subject to the following adjustments:
- a. Water supplied from separate source. Where water is supplied by a separate and independent source, the sewage volume charge shall be based upon the volume of water used, where such information is available, and computed at the volume charge established herein. Where usage information is not available, the water services department shall determine an appropriate volume of water used and compute it at the volume charge established herein.
  - b. Residential accounts. Except as noted in (2)(a), residential service account (one- and two-family residences) volume charges for the bills generated during the months of May through December shall be based upon water used during the winter period, such winter period being the bills generated during January through April, (these are the billing periods that most closely correspond to the December through March usage); such charges shall be payable with each bill rendered throughout the year. Where residential water services accounts do not have an acceptable history of winter water use, the volume charge for bills generated during the months of May through December shall be the volume charge established herein, or \$65.10 per month, whichever is the lesser.
  - c. Commercial and industrial water accounts with diverted water uses. Commercial and industrial water accounts are all water service accounts other than one- and two-family dwellings. Diverted water uses are those where a significant portion of the water purchased is used in manufactured products such as ice, canned goods or beverages. Where the product is transported away from the premises in containers (water to product) the application fee is \$1,000.00. Where the water purchased is lost by evaporation or irrigation the application fee is \$550.00. The director of the water services department or the director's representative shall make the determinations of fact as to the amount of water which is diverted, and shall have authority to adjust the sewer use volume billed on the basis of the facts ascertained. The application fee is to pay for site review, plan review, and installation inspection.
- (3) *Commercial and industrial water accounts with high concentration discharges.* Commercial and industrial water accounts shall include all water service accounts other than one- and two-family dwellings. High concentration discharges are those in which the BOD (biochemical oxygen demand), SS (suspended solids), and/or O&G (oil and grease) concentrations are in excess of the maximum concentration of these components in normal sewage as defined in article IV of this chapter. In addition to other sewer service and volume charges, a surcharge, as established by the formulae defined and set forth in article IV of this chapter,

shall be levied on high concentration discharges received from any customer under this section.

For surcharge rate formulae calculation purposes, the following rates are hereby established:

RB (surcharge per pound of excess BOD) = \$0.495

RS (surcharge per pound of excess SS) = \$0.225

RG (surcharge per pound of excess O&G) = \$0.249

The director of water services is hereby authorized to promulgate regulations to develop various groups and classes to facilitate the equitable distribution of surcharge fees among like groups of customers.

- (4) *Definition.* Month or monthly, as used in this section, shall refer to a time period of approximately 30 days.

**Sec. 60-3. Sewer charges for nonresident users.**

(a) *Charges.* There are hereby established charges against every person, partnership, corporation, association, and other entity outside the city limits having a connection with the city's sanitary sewer system or discharging sewage, industrial waste, water or other liquids into the city's sewer system. All charges billed shall be prorated per day during the billing period. Such charges are to be the sum of service charges and volume charges to be computed and charged as follows:

- (1) Metered connections with municipalities and political subdivisions. Bulk flows through a metered interconnection with a municipality or other political subdivision shall be charged and pay a rate of \$4.02 per 100 cubic feet (ccf), or portion thereof, with no service charges.
- (2) Unmetered connections with municipalities and other political subdivisions. Bulk flows through an unmetered interconnection with a municipality or other political subdivision shall be charged and pay a rate of \$5.93 per 100 cubic feet (ccf), or portion thereof, of actual water consumption for all residential, commercial and industrial customers, and shall also pay a service charge of \$17.15 per month for each such customer.
- (3) Unmetered connections with municipalities and other political subdivisions; no water consumption records. Where actual water consumption records are not available, bulk flows from a municipality or political subdivision through an unmetered interconnection shall pay a sewer charge of \$59.29 per month per dwelling unit or equivalent dwelling unit.

- (4) Individual non-resident customers billed directly by the city. Individual non-resident customers billed directly by the city shall pay a service charge of \$37.87 per month, plus a volume charge of \$14.70 per 100 cubic feet (ccf), or portion thereof.
- (5) Accounts with high concentration discharges. High concentration discharges are those in which the BOD (biochemical oxygen demand), SS (suspended solids), and/or O&G (oil and grease) concentrations are in excess of the maximum concentration of these components in normal sewage as defined in article IV of this chapter. In addition to other sewer service and volume charges, a surcharge, as established by the formulae defined and set forth in article IV of this chapter, shall be levied on high concentration discharges received from any non-resident user.

For surcharge rate formulae calculation purposes, the following rates are hereby established:

RB (surcharge per pound of excess BOD) = \$0.553

RS (surcharge per pound of excess SS) = \$0.244

RG (surcharge per pound of excess O&G) = \$0.266

The director is hereby authorized to develop various groups and classes to facilitate the equitable distribution of surcharge fees among like groups of customers.

(b) *Definition.* "Month" or "monthly," as used in this section shall refer to a time period of approximately 30 days.

(c) *Applicability.* This section may not be applicable where arrangements for sewer service and sewer service charges are established by an existing or future contract or cooperative agreement.

Section 2. This ordinance shall become effective on May 1, 2023.

..end

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Approved as to form:

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Nicole Rowlette  
Senior Associate City Attorney



# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Water Services

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

FY2024 Sewer Rate Ordinance. This ordinance is part of the overall FY2024 budget ordinance in that it sets the rates for the sewer usage and disposal for the different customer classes that utilize the sanitary sewer system

### Discussion

The City of Kansas City Sanitary Sewer System determines its revenue requirements as part of its budgetary process for the upcoming fiscal year. This review includes a cost of service analysis that adheres to sanitary sewer industry standards which is used to appropriately allocate and set rates associated with the various customer classes that use the system. The recommended revenue increase is necessary in part to meet increased costs due to inflow and infiltration, addressing capital improvement needs and the overflow control plan. Further, passage of this ordinance continues the funding of the renewal and replacement fund and maintaining cash reserves to ensure adequate capital reinvestment in the system, which in the long term will support the overall cost for maintaining sewer assets. The ordinance will provide the utility an overall 6% sewer revenue increase. The fees and charges reflect the projected costs to operate the Wastewater Utility and provide service to its customers. The rate structure is proposed to be effective on billings for usage on or after May 1, 2023. For billings prior to May 1, 2023, the current rates continue to apply.

### Fiscal Impact

1. Is this legislation included in the adopted budget? Yes  No

2. What is the funding source?

Rates and user fees collected from users of the KCMO Sanitary Sewer System.

3. How does the legislation affect the current fiscal year?

It does not. It affects the upcoming fiscal year FY2024, effective May 1, 2023.

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

It increases sanitary sewer rates in FY2024 in order to meet increased costs placed on the system by demand from the different customer classes.



# City of Kansas City, Missouri

## Docket Memo

- 5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

Yes it generates revenue through the rates specified in the ordinance. The rates along with demand put on the system by customers will determine the revenue collected by the sanitary sewer utility and enable the utility it to cover the costs of its operation in FY 2024 and make capital investments to repair and improve the system.

### Office of Management and Budget Review

(OMB Staff will complete this section.)

- 1. This legislation is supported by the general fund.  Yes  No
- 2. This fund has a structural imbalance.  Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

## Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Infrastructure and Accessibility (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Enhance the City's connectivity, resiliency, and equity through a safe, efficient, convenient, inclusive, accessible, sustainable and better connected multi-modal transportation system
- Develop environmentally sound and sustainable infrastructure strategies that improve quality of life and foster economic growth
- Increase and support local workforce development and minority, women, and locally-owned businesses
- Engage in efforts to strategically invest in the City's infrastructure and explore emerging technologies

# City of Kansas City, Missouri

## Docket Memo



### Prior Legislation

FY2023 Sewer Rate Ordinance #220198.

### Service Level Impacts

This ordinance will enable KC Water to provide reliable sanitary sewer service to ratepayers. It will also enable the utility to fulfill critical staff positions, reliably operate the 6 wastewater treatment plants, and adhere to regulatory compliance and employee safety. It also allows the utility to continue to work on sewer main rehabilitation and replacement.

### Other Impacts

1. What will be the potential health impacts to any affected groups?

The revenue collected from the rates set in this ordinance will enable KCMO to continue to cover the operating and capital cost associated with collecting and treating raw sewage in a sanitary manner.

2. How have those groups been engaged and involved in the development of this ordinance?

N/A

3. How does this legislation contribute to a sustainable Kansas City?

This rate increase will contribute to sustainability by ensuring adequate capital reinvestment in the system and maintaining service levels, which in the long term will keep overall costs manageable for maintenance and operation of the sewer system.

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

N/A

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

N/A

COMPARED VERSION  
NEW ORDINANCE TO CODE BOOKS

ORDINANCE NO. 230174

Amending Chapter 60, Code of Ordinances, entitled Sewers and Sewage Disposal, by repealing Sections 60-2 and 60-3 and enacting in lieu thereof new sections of like number and subject matter that adjust charges for sewer service; and establishing an effective date.

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That Chapter 60 of the Code of Ordinances of Kansas City, Missouri, entitled Sewers and Sewage Disposal, is hereby amended by repealing Sections 60-2, and 60-3 and enacting in lieu thereof new sections of like number and subject matter to read as follows:

**Sec. 60-2. Sewer charges for resident users.**

There are hereby established charges against every person and for every property, partnership, corporation, association, and other entity within the city limits having an actual or available connection with the city's sanitary sewer system, or discharging sewage, industrial waste, water or other liquid into the system. Charges shall be prorated per day during the billing period. Such charges are to be the sum of service charges, volume and high concentration charges to be computed and levied as follows and as prescribed in Section 60-9:

(1) *Service charges.*

- a. Sanitary sewer. A service charge of \$26.89 per month to cover in part the cost of providing various services, and shall be prorated per day during the billing period and shall apply whether or not any sewage or wastes are actually discharged to the city sewer during the billing period; such charges are to be made each month.
- b. Wastewater discharge permits. Commercial and industrial users shall pay for the cost of the wastewater discharge permitting program as described and authorized in article IV of this chapter. Charges as authorized in article IV of this chapter shall be billed and collected with the commercial or industrial users' normal water and/or sewer billing charges.

(2) *Volume charges.* A volume charge of \$10.85 per 100 cubic feet (ccf), or a portion thereof, based upon the total volume of water purchased by the customer during the billing period subject to the following adjustments:

- a. Water supplied from separate source. Where water is supplied by a separate and independent source, the sewage volume charge shall be based upon the volume of water used, where such information is available, and

computed at the volume charge established herein. Where usage information is not available, the water services department shall determine an appropriate volume of water used and compute it at the volume charge established herein.

- b. Residential accounts. Except as noted in (2)(a), residential service account (one- and two-family residences) volume charges for the bills generated during the months of May through December shall be based upon water used during the winter period, such winter period being the bills generated during January through April, (these are the billing periods that most closely correspond to the December through March usage); such charges shall be payable with each bill rendered throughout the year. Where residential water services accounts do not have an acceptable history of winter water use, the volume charge for bills generated during the months of May through December shall be the volume charge established herein, or \$65.10 per month, whichever is the lesser.
  - c. Commercial and industrial water accounts with diverted water uses. Commercial and industrial water accounts are all water service accounts other than one- and two-family dwellings. Diverted water uses are those where a significant portion of the water purchased is used in manufactured products such as ice, canned goods or beverages. Where the product is transported away from the premises in containers (water to product) the application fee is \$1,000.00. Where the water purchased is lost by evaporation or irrigation the application fee is \$550.00. The director of the water services department or the director's representative shall make the determinations of fact as to the amount of water which is diverted, and shall have authority to adjust the sewer use volume billed on the basis of the facts ascertained. The application fee is to pay for site review, plan review, and installation inspection.
- (3) *Commercial and industrial water accounts with high concentration discharges.* Commercial and industrial water accounts shall include all water service accounts other than one- and two-family dwellings. High concentration discharges are those in which the BOD (biochemical oxygen demand), SS (suspended solids), and/or O&G (oil and grease) concentrations are in excess of the maximum concentration of these components in normal sewage as defined in article IV of this chapter. In addition to other sewer service and volume charges, a surcharge, as established by the formulae defined and set forth in article IV of this chapter, shall be levied on high concentration discharges received from any customer under this section.

For surcharge rate formulae calculation purposes, the following rates are hereby established:

$$\text{RB (surcharge per pound of excess BOD)} = \$0.495$$



RS (surcharge per pound of excess SS) = \$0.225

RG (surcharge per pound of excess O&G) = \$0.249

The director of water services is hereby authorized to promulgate regulations to develop various groups and classes to facilitate the equitable distribution of surcharge fees among like groups of customers.

- (4) *Definition.* Month or monthly, as used in this section, shall refer to a time period of approximately 30 days.

**Sec. 60-3. Sewer charges for nonresident users.**

(a) *Charges.* There are hereby established charges against every person, partnership, corporation, association, and other entity outside the city limits having a connection with the city's sanitary sewer system or discharging sewage, industrial waste, water or other liquids into the city's sewer system. All charges billed shall be prorated per day during the billing period. Such charges are to be the sum of service charges and volume charges to be computed and charged as follows:

- (1) Metered connections with municipalities and political subdivisions. Bulk flows through a metered interconnection with a municipality or other political subdivision shall be charged and pay a rate of \$4.02 per 100 cubic feet (ccf), or portion thereof, with no service charges.
- (2) Unmetered connections with municipalities and other political subdivisions. Bulk flows through an unmetered interconnection with a municipality or other political subdivision shall be charged and pay a rate of \$5.93 per 100 cubic feet (ccf), or portion thereof, of actual water consumption for all residential, commercial and industrial customers, and shall also pay a service charge of \$17.15 per month for each such customer.
- (3) Unmetered connections with municipalities and other political subdivisions; no water consumption records. Where actual water consumption records are not available, bulk flows from a municipality or political subdivision through an unmetered interconnection shall pay a sewer charge of \$59.29 per month per dwelling unit or equivalent dwelling unit.
- (4) Individual non-resident customers billed directly by the city. Individual non-resident customers billed directly by the city shall pay a service charge of \$37.87 per month, plus a volume charge of \$14.70 per 100 cubic feet (ccf), or portion thereof.
- (5) Accounts with high concentration discharges. High concentration discharges are those in which the BOD (biochemical oxygen demand), SS (suspended solids),

and/or O&G (oil and grease) concentrations are in excess of the maximum concentration of these components in normal sewage as defined in article IV of this chapter. In addition to other sewer service and volume charges, a surcharge, as established by the formulae defined and set forth in article IV of this chapter, shall be levied on high concentration discharges received from any non-resident user.

For surcharge rate formulae calculation purposes, the following rates are hereby established:

RB (surcharge per pound of excess BOD) = \$0.553

RS (surcharge per pound of excess SS) = \$0.244

RG (surcharge per pound of excess O&G) = \$0.266

The director is hereby authorized to develop various groups and classes to facilitate the equitable distribution of surcharge fees among like groups of customers.

(b) *Definition.* "Month" or "monthly," as used in this section shall refer to a time period of approximately 30 days.

(c) *Applicability.* This section may not be applicable where arrangements for sewer service and sewer service charges are established by an existing or future contract or cooperative agreement.

Section 2. This ordinance shall become effective on May 1, 2023.

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Approved as to form:

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Nicole Rowlette  
Senior Associate City Attorney



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**File #: 230175**

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ORDINANCE NO. 230175

Sponsor: Director of the Finance Department

Adopting the Annual Budget of the City for the Fiscal Year 2023-24; estimating the revenues for the fiscal year; appropriating for the purposes stated the sums set forth in the budget; directing the Director of Finance to make the necessary entries upon the City's records to show the appropriations and allocations provided for; authorizing inter-fund loans; and electing to establish a budget adoption deadline pursuant to Section 805(i) of the City Charter.

WHEREAS, Section 805 of the City Charter requires the City Council to adopt an annual budget and, as adopted, the budget constitutes an appropriation of the amount for the purposes stated as the appropriation and authorization of the amount to be raised by taxation for the purposes of the City, plus any unencumbered balance from previous years;

WHEREAS, the City Council has reviewed this budget and held public hearings; NOW, THEREFORE,

**BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:**

Section 1. That the detailed estimated revenues of the City for the ensuing Fiscal Year 2023-24 are as set forth in said budget in Schedules VIII, X, XI, XII, XIII and XIV.

Section 2. That by adoption of said annual budget, there are hereby appropriated for the purposes stated herein the sums set forth in Schedules II, III, IV and V. The sums hereby appropriated are set out in detail in Schedules X, XI, XII, XIII and XIV, inclusive, by activity accounts, and the total sum appropriated for each such account is divided in the following classifications, as applicable, thereof, to-wit: (a) Personal Services, (b) Contractual Services, (c) Commodities, (e) Capital Outlay, (f) Pass Through Payments, and (g) Debt Service.

Section 3. That requisitions for encumbrances against and the payment of money out of the various appropriations described in this ordinance shall be made by those officers and employees of the City and by those persons or boards whose titles are set out opposite the designation of the departments, offices, and purposes to or for which appropriations have been made, respectively, as set forth in the following schedule:

ORDINANCE NO. 23####

**Schedule for Appropriation**  
GOVERNMENTAL ACTIVITIES FUNDS

<b>Department or Activity</b>	<b>Requisitioning Authority</b>	<b>Amount of Appropriation</b>
<b>General Fund</b>		<b>\$682,701,167</b>
Boards of Election Commissioners	Director of Finance	\$3,988,000
Civil Rights and Equal Opportunity	Director of Civil Rights and Equal Opportunity	\$2,388,776
Contingent Appropriation	City Manager	\$6,348,574
Economic Development	City Manager	\$75,000
	Director of Finance	\$40
	Director of Finance (Debt)	\$1,845,508
Finance	Director of Finance	\$16,042,243
	Director of Finance (Debt)	\$1,199,292
	Director of Finance (Transfers)	\$72,231,547
Fire	Director of Fire/ Fire Chief	\$195,985,644
General Services	Director of Finance (Debt)	\$51,002
	Director of General Services	\$22,611,881
Housing	Director of Housing and Community Development	\$4,725,150
Human Resources	City Manager	\$3,220
	Director of Finance (Debt)	\$108,250
	Director of Human Resources	\$5,331,388
Law	City Attorney	\$6,424,164
Municipal Court	Administrator of the Municipal Court	\$8,589,164
Neighborhoods	Director of Finance (Debt)	\$1,215,680
	Director of Neighborhoods Services	\$21,188,596
Office of the City Auditor	City Auditor	\$1,215,347
Office of the City Clerk	City Clerk	\$815,654
Office of the City Manager	City Manager	\$13,067,567
Offices of Mayor and Council	At Large District 1 Councilperson	\$2,725
	At Large District 2 Councilperson	\$2,725
	At Large District 3 Councilperson	\$2,725
	At Large District 4 Councilperson	\$2,725
	At Large District 5 Councilperson	\$2,725
	At Large District 6 Councilperson	\$2,725
	In District 1 Councilperson	\$2,725
	In District 2 Councilperson	\$2,725
	In District 3 Councilperson	\$2,725
	In District 4 Councilperson	\$2,725
	In District 5 Councilperson	\$2,725

	In District 6 Councilperson	\$2,725
	Mayor	\$2,961,882
	Mayor Pro Tem	\$2,782,534
Police	Board of Police Commissioners	\$237,373,908
	Director of Finance (Debt)	\$2,450,000
	Director of General Services	\$3,551,712
Public Works	Director of Finance (Debt)	\$4,505,087
	Director of Public Works	\$39,585,731
City Planning and Development	Director of City Planning and Development	\$2,472,338
	Director of Finance (Debt)	\$994,622
Parks and Recreation	Board of Parks and Recreation Commissioners	\$538,965
<b>American Rescue Plan Fund</b>		<b>\$5,379,724</b>
Neighborhoods	Director of Neighborhoods	\$2,953,154
Public Works	Director of Public Works	\$2,426,570
<b>Arterial Street Impact Fee</b>		<b>\$86,448</b>
Finance	Director of Finance (Transfers)	\$14,433
City Planning and Development	Director of City Planning and Development	\$72,015
<b>Assessment and Triage Center Fund</b>		<b>\$1,000,000</b>
Municipal Court	Administrator of the Municipal Court	\$1,000,000
<b>Brownfields Revolving</b>		<b>\$64,256</b>
City Planning and Development	Director of City Planning and Development	\$64,256
<b>Central City Sales Tax</b>		<b>\$11,950,349</b>
Finance	Director of Finance (Transfers)	\$81,746
Housing	Director of Housing and Community Development	\$11,868,603
<b>Community Development Funds</b>		<b>\$8,049,481</b>
Civil Rights and Equal Opportunity	Director of Civil Rights and Equal Opportunity	\$16,624
	Director of Housing and Community Development	\$8,032,857
<b>Convention and Tourism</b>		<b>\$61,952,556</b>
Finance	Director of Finance (Transfers)	\$29,492,660
Neighborhoods	Director of Neighborhoods	\$350,000
Office of the City Manager	City Manager	\$595,789
Offices of Mayor and Council	Mayor	\$302,500
Public Works	Director of Convention and Entertainment Facilities	\$795
Convention and Entertainment Facilities	Director of Convention and Entertainment Facilities	\$20,843,180
Convention and Tourism	Director of Convention and Entertainment Facilities	\$10,367,633
<b>Convention Hotel Catering</b>		<b>\$9,617,114</b>
Finance	Director of Finance (Transfers)	\$515,017
Convention and Entertainment	Director of Finance (Debt)	\$4,195,779

Facilities		
	Director of Convention and Entertainment Facilities	\$4,906,318
<b>Development Services</b>		<b>\$17,360,530</b>
Finance	Director of Finance	\$44,419
	Director of Finance (Transfers)	\$791,577
General Services	Director of Finance (Debt)	\$623,376
	Director of General Services	\$702,450
Neighborhoods	Director of Neighborhoods	\$26,396
City Planning and Development	Director of City Planning and Development	\$15,172,312
<b>Domestic Violence Grant Fund</b>		<b>\$642,219</b>
Law	City Attorney	\$583,295
Municipal Court	Administrator of the Municipal Court	\$58,924
<b>Domestic Violence Shelters Fund</b>		<b>\$180,000</b>
Housing	Director of Housing and Community Development	\$164,235
Law	City Attorney	\$15,765
<b>Economic Development</b>		<b>\$5,916,084</b>
Civil Rights and Equal Opportunity	Director of Civil Rights and Equal Opportunity	\$325,559
Economic Development	City Attorney	\$163,931
	City Manager	\$3,451,937
	Director of Finance	\$1,058,801
Neighborhoods	Director of Neighborhoods	\$782,568
Office of the City Manager	City Manager	\$133,287
<b>Fire Sales Tax</b>		<b>\$23,998,992</b>
Finance	Director of Finance (Transfers)	\$155,761
Fire	Director of Fire/ Fire Chief	\$22,369,001
General Services	Director of General Services	\$1,474,230
<b>Fire Sales Tax Capital</b>		<b>\$25,328,373</b>
Finance	Director of Finance (Transfers)	\$6,323
Fire	Director of Finance (Debt)	\$8,425,879
	Director of Fire/ Fire Chief	\$16,896,170
<b>Golf Operations</b>		<b>\$7,587,085</b>
Finance	Director of Finance (Transfers)	\$74,101
General Services	Director of Finance (Debt)	\$93,395
Parks and Recreation	Director of Finance (Debt)	\$245,860
	Board of Parks and Recreation Commissioners	\$7,173,729
<b>Governmental Grants Fund</b>		<b>\$5,646,845</b>
Health	Director of Health	\$5,646,845
<b>Health</b>		<b>\$70,475,076</b>
Finance	Director of Finance	\$1,079,080
	Director of Finance (Transfers)	\$14,954,652

General Services	Director of General Services	\$1,580,563
Health and Medical Care	Director of Finance (Debt)	\$151,100
	Director of Health	\$32,160,659
Law	City Attorney	\$84,000
Office of the City Manager	City Manager	\$473,170
Offices of Mayor and Council	Mayor	\$177,427
Police	Board of Police Commissioners	\$590,293
Health	Director of Health	\$19,224,133
<b><i>Health Dept Building Fund</i></b>		<b>\$50,061</b>
General Services	Director of Finance (Debt)	\$50,061
<b><i>HOME Investment</i></b>		<b>\$2,876,382</b>
Housing	Director of Housing and Community Development	\$2,876,382
<b><i>Homesteading Authority</i></b>		<b>\$200,901</b>
Housing	Director of Housing and Community Development	\$200,901
<b><i>Housing Oppor for Persons With Aids</i></b>		<b>\$2,467,895</b>
Health	Director of Health	\$2,467,895
<b><i>Housing Trust Fund</i></b>		<b>\$3,528,944</b>
Housing	Director of Housing and Community Development	\$3,528,944
<b><i>Housing Violation Fund</i></b>		<b>\$376,219</b>
Municipal Court	Administrator of the Municipal Court	\$299,374
Neighborhoods	Director of Neighborhoods	\$76,845
<b><i>HUD Lead-Based Paint Grant</i></b>		<b>\$1,051,767</b>
Health	Director of Health	\$1,051,767
<b><i>Inmate Security</i></b>		<b>\$536,236</b>
Municipal Court	Administrator of the Municipal Court	\$536,236
<b><i>KCATA Sales Tax</i></b>		<b>\$37,196,557</b>
Finance	Director of Finance (Transfers)	\$51,909
Transportation Authorities	Director of Public Works / Director of Transportation	\$37,144,648
<b><i>Land Bank</i></b>		<b>\$2,388,017</b>
Housing	Director of Housing and Community Development	\$752,017
	Director of Neighborhoods	\$1,000
Public Works	Director of Public Works	\$1,635,000
<b><i>Liberty Memorial Trust Fund</i></b>		<b>\$48,164</b>
Parks and Recreation	Board of Parks and Recreation Commissioners	\$48,164
<b><i>Love Thy Neighbor Fund</i></b>		<b>\$25,000</b>
Housing	Director of Neighborhoods	\$25,000
<b><i>Municipal Court Building Fund</i></b>		<b>\$169,320</b>
Municipal Court	Director of Finance (Debt)	\$169,320

<b><i>Museum</i></b>		<b>\$1,860,582</b>
Finance	Director of Finance	\$36,570
	Director of Finance (Transfers)	\$42,268
Law	City Attorney	\$4,000
Parks and Recreation	Director of Finance (Debt)	\$422,795
	Board of Parks and Recreation Commissioners	\$1,354,949
<b><i>Neighborhood Grants</i></b>		<b>\$667,542</b>
Housing	Director of Housing and Community Development	\$667,542
<b><i>Neighborhood Tourist Development</i></b>		<b>\$2,489,460</b>
Neighborhoods	Director of Neighborhoods	\$61,171
Convention and Tourism	Director of Convention and Entertainment Facilities	\$2,428,289
<b><i>Parking</i></b>		<b>\$7,912,684</b>
Police	Board of Police Commissioners	\$607,034
Public Works	Director of Finance (Debt)	\$1,933,923
	Director of Public Works	\$5,371,727
<b><i>Parks and Recreation</i></b>		<b>\$54,106,413</b>
Economic Development	Director of Finance (Debt)	\$970,144
Finance	Director of Finance (Transfers)	\$1,744,864
General Services	Director of Finance (Debt)	\$195,208
Parks and Recreation	Director of Finance (Debt)	\$923,299
	Board of Parks and Recreation Commissioners	\$50,272,898
<b><i>Performing Arts Center Garage</i></b>		<b>\$10,282,229</b>
Finance	Director of Finance	\$265,302
Public Works	Director of Finance (Debt)	\$9,460,501
	Director of Public Works	\$556,426
<b><i>Police Drug Enforcement</i></b>		<b>\$4,977,252</b>
Police	Board of Police Commissioners	\$4,977,252
<b><i>Police Grant</i></b>		<b>\$11,186,313</b>
Police	Board of Police Commissioners	\$11,186,313
<b><i>Probation Fund</i></b>		<b>\$660,390</b>
Municipal Court	Administrator of the Municipal Court	\$660,390
<b><i>Public Mass Transportation</i></b>		<b>\$42,193,362</b>
Finance	Director of Finance (Transfers)	\$2,843,641
Office of the City Manager	City Manager	\$54
Public Works	Director of Public Works	\$21,015,725
Transportation Authorities	Director of Public Works / Director of Transportation	\$18,333,942
<b><i>Public Safety Sales Tax</i></b>		<b>\$21,953,077</b>
Finance	Director of Finance (Transfers)	\$9,976,750
General Services	Director of Finance (Debt)	\$33,991



	Director of General Services	\$712,816
Office of the City Manager	City Manager	\$780,000
Police	Board of Police Commissioners	\$5,200,000
	Director of Finance (Debt)	\$4,424,520
	Director of General Services	\$525,000
Water Services	Director of Water Services	\$300,000
<b>Ryan White HIV/AIDS</b>		<b>\$4,569,186</b>
Health	Director of Health	\$4,569,186
<b>Specialty Court Fund</b>		<b>\$335,370</b>
Municipal Court	Administrator of the Municipal Court	\$335,370
<b>Strategic Neighborhoods</b>		<b>\$442,840</b>
Economic Development	Director of Finance (Debt)	\$305,840
Housing	Director of Housing and Community Development	\$137,000
<b>Street Car</b>		<b>\$20,729,768</b>
Public Works	Director of Public Works	\$266,996
Transportation Authorities	Director of Finance (Debt)	\$14,154,653
	Director of Public Works / Director of Transportation	\$6,308,119
<b>Street Maintenance</b>		<b>\$53,104,494</b>
Finance	Director of Finance (Transfers)	\$1,725,511
General Services	Director of Finance (Debt)	\$714,631
	Director of General Services	\$261,722
Housing	Director of Housing and Community Development	\$1,342
Office of the City Manager	City Manager	\$113,751
Public Works	Director of Finance (Debt)	\$1,744,363
	Director of Public Works	\$45,416,587
Parks and Recreation	Director of Finance (Debt)	\$25,909
	Board of Parks and Recreation Commissioners	\$2,075,115
Water Services	Director of Water Services	\$1,025,563
<b>Capital Improvements</b>		<b>\$86,954,957</b>
Civil Rights and Equal Opportunity	Director of Civil Rights and Equal Opportunity	\$429,147
Economic Development	Director of Finance (Debt)	\$620,366
	Director of Finance	\$31,172,900
General Services	Director of Finance (Debt)	\$976,937
	Director of General Services	\$10,827,096
Neighborhoods	Director of Finance (Debt)	\$172,746
Public Works	Director of Finance (Debt)	\$5,321,544
	Director of Public Works	\$29,020,762
Convention and Entertainment Facilities	Director of Convention and Entertainment Facilities	\$2,263,958

Parks and Recreation	Director of Finance (Debt)	\$1,086,119
	Board of Parks and Recreation Commissioners	\$5,063,383
<b>Convention And Sports Complex</b>		<b>\$27,855,325</b>
General Services	Director of Finance (Debt)	\$717,381
Convention and Entertainment Facilities	Director of Finance (Debt)	\$25,137,944
Convention and Tourism	Director of Convention and Entertainment Facilities	\$2,000,000
<b>Downtown Arena Project Fund</b>		<b>\$15,710,340</b>
Public Works	Director of Public Works	\$87,500
Convention and Entertainment Facilities	Director of Convention and Entertainment Facilities	\$125,000
City Planning and Development	Director of City Planning and Development	\$200,000
Convention and Tourism	Director of Finance (Debt)	\$14,266,302
	Director of Convention and Entertainment Facilities	\$1,031,538
<b>Downtown Redevelopment District Debt</b>		<b>\$21,267,179</b>
Economic Development	Director of Finance (Debt)	\$21,267,179
<b>G.O. Recovery Zone Bonds</b>		<b>\$2,915,924</b>
Public Works	Director of Finance (Debt)	\$2,915,924
<b>General Debt And Interest</b>		<b>\$60,771,962</b>
Finance	Director of Finance	\$848,898
	Director of Finance (Transfers)	\$2,715,924
Law	City Attorney	\$28,000
Police	Director of Finance (Debt)	\$9,776,750
Public Works	Director of Finance (Debt)	\$46,676,953
Parks and Recreation	Director of Finance (Debt)	\$725,437
<b>STIF Brush Creek-Blue Pkwy Town Center</b>		<b>\$1,257,371</b>
Economic Development	Director of Finance (Debt)	\$1,257,371
<b>STIF East Village</b>		<b>\$3,671,058</b>
Economic Development	Director of Finance (Debt)	\$3,671,058
<b>STIF Hotel President</b>		<b>\$1,893,635</b>
Economic Development	Director of Finance (Debt)	\$1,893,635
<b>STIF Linwood Shopping Center</b>		<b>\$2,003,813</b>
Economic Development	Director of Finance (Debt)	\$1,208,611
Housing	Director of Housing and Community Development	\$659,440
City Planning and Development	Director of Finance (Debt)	\$135,762
<b>TIF Special Allocation</b>		<b>\$137,850</b>
Economic Development	Director of Finance (Debt)	\$137,850
<b>TOTAL</b>	<b>GOVERNMENTAL</b>	<b>\$1,450,762,137</b>

<b>ACTIVITIES FUNDS</b>		
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**BUSINESS TYPE FUNDS**

<b><i>Sewer</i></b>		<b>\$253,854,852</b>
Water Services	Director of Water Services	\$253,854,852
<b><i>Stormwater</i></b>		<b>\$15,928,467</b>
Water Services	Director of Water Services	\$15,928,467
<b><i>Water</i></b>		<b>\$192,656,178</b>
Water Services	Director of Water Services	\$192,656,178
<b><i>Aviation</i></b>		<b>\$241,778,053</b>
Civil Rights and Equal Opportunity	Director of Civil Rights and Equal Opportunity	\$84,435
Aviation	Director of Aviation	\$241,693,618
<b><i>Customer Facility Charges</i></b>		<b>\$6,000,000</b>
Aviation	Director of Aviation	\$6,000,000
<b><i>DEA Drug Forfeiture</i></b>		<b>\$75,000</b>
Aviation	Director of Aviation	\$75,000
<b><i>Passenger Facility Charge</i></b>		<b>\$19,967,342</b>
Aviation	Director of Aviation	\$19,967,342
<b>TOTAL ENTERPRISE FUNDS</b>		<b>\$730,259,893</b>

INTERNAL SERVICE FUNDS

<b><i>City Legal Expense Fund</i></b>		<b>\$18,250,086</b>
General Services	Director of General Services	\$5,934,950
Human Resources	Director of Human Resources	\$235,519
Law	City Attorney	\$12,079,617
<b><i>Fleet Services</i></b>		<b>\$26,127,793</b>
General Services	Director of Finance (Debt)	\$376,676
	Director of General Services	\$25,751,117
<b><i>General Services</i></b>		<b>\$39,980,619</b>
General Services	Director of General Services	\$39,980,619
<b><i>Health Care and Wellness</i></b>		<b>\$95,762,935</b>
General Services	Director of Human Resources	\$94,966,650
Human Resources	Director of Human Resources	\$796,285
<b><i>Information Tech Reimb Serv</i></b>		<b>\$20,954,480</b>
Civil Rights and Equal Opportunity	Director of Civil Rights and Equal Opportunity	\$100,000
Finance	Director of Finance	\$1,000,000
	Director of General Services	\$19,414,980
Human Resources	Director of Human Resources	\$319,500
City Planning and Development	Director of City Planning and Development	\$120,000
<b><i>Neighborhood Improvement District</i></b>		<b>\$1,817,380</b>
Economic Development	Director of Finance	\$1,817,380
<b><i>Parks And Rec Working Capital</i></b>		<b>\$1,200,000</b>
Parks and Recreation	Board of Parks and Recreation Commissioners	\$1,200,000
<b><i>Payments in Lieu of Taxes</i></b>		<b>\$8,452,300</b>
Finance	Director of Finance	\$6,246,600
	Director of Finance (Debt)	\$264,600
	Director of Finance (Transfers)	\$1,941,100
<b><i>Pollution Cntrl Working Cap</i></b>		<b>\$3,075,000</b>
Water Services	Director of Water Services	\$3,075,000
<b><i>Solid Waste Working Capital</i></b>		<b>\$322,000</b>
Public Works	Director of Public Works	\$322,000
<b><i>Water Working Capital</i></b>		<b>\$1,000,000</b>
Water Services	Director of Water Services	\$1,000,000
<b><i>Workers Compensation Fund</i></b>		<b>\$27,074,143</b>
General Services	Director of General Services	\$26,717,762
Law	City Attorney	\$356,381
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<b>\$244,016,736</b>
	<b>GRAND TOTAL</b>	<b>\$2,425,038,766</b>

Section 4. That in accordance with Section 806(a)(1) of the City Charter, the Director of Finance is hereby authorized to borrow not to exceed \$350,000,000.00 from any City fund to meet the cash requirements of any other City fund in anticipation of the receipts from revenues, for the Fiscal Year 2023-24. Such borrowings may be in the form of temporary loans made from one current operating fund of the City, including the operating funds of the enterprise funds, to another, provided sufficient money is available for this purpose. Such temporary loans may be made from time to time and at such times and in such amounts as the Director of Finance may deem necessary. However, the aggregate amount of such outstanding loans shall at no time exceed \$350,000,000.00 and at no time shall individually exceed 75% of the estimated revenues of each City fund for the Fiscal Year 2023-24 then outstanding and uncollected.

Section 5. That all such loans shall be repaid on or before the due date thereof out of the receipts from revenues of the 2023-24 Fiscal Year and shall become due not more than nine months from the date of incurring the same, and in no event beyond the end of the 2023-24 Fiscal Year.

Section 6. That the Director of Finance is directed to make the necessary entries upon the City's records to show the appropriations and allocations as set forth in this ordinance.

Section 7. That the form of the budget hereby adopted, the estimated revenues therein contained, and the appropriations made by this ordinance as set out in such budget are hereby approved.

Section 8. That pursuant to Section 805(i) of the City Charter, the Council sets March 23, 2023, as the deadline for adoption of the Fiscal Year 2023-24 Budget.

..end

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I hereby certify that there is a balance, otherwise unencumbered, to the credit of the appropriation to which the foregoing expenditure is to be charged, and a cash balance, otherwise unencumbered, in the treasury, to the credit of the fund from which payment is to be made, each sufficient to meet the obligation hereby incurred.

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Tammy L. Queen  
Director of Finance

Approved as to form:

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Samuel E. Miller  
Assistant City Attorney



# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Finance

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

Submitting the Annual Budget of the City for the Fiscal Year 2023-24; estimating the revenues for the fiscal year; appropriating for the purposes stated the sums set forth in the budget; directing the Director of Finance to make the necessary entries upon the City’s records to show the appropriations and allocations provided for; authorizing inter-fund loans; and electing to establish a budget adoption deadline pursuant to Section 805(i) of the City Charter.

### Discussion

This Ordinance, its amendments, and its attachments outline the appropriations and revenue estimates for the FY 2023-24 Submitted Budget. This legislation impacts all Citywide Business Plan goals. The funding sources below include transfers in and transfers out, as well as internal services funds. Internal services funds are funds that support several internal services departments, providing goods or services to departments on a cost reimbursement basis.

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

Sources/Revenues:

Governmental Activities: \$ 1,411,347,479

Business Type Activities: \$ 719,462,674

Internal Services Funds: \$ 242,294,674

Total: \$ 2,373,104,827

Uses/Expenditures:

Governmental Activities: \$ 1,450,762,137

Business Type Activities: \$ 730,259,893

Internal Services Funds: \$244,016,736

Total: \$ 2,425,038,766



# City of Kansas City, Missouri

## Docket Memo

3. How does the legislation affect the current fiscal year?

N/A

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

This legislation is for the Fiscal Year 2023-2024 Budget.

5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

Yes.

### Office of Management and Budget Review

(OMB Staff will complete this section.)

1. This legislation is supported by the general fund.  Yes  No

2. This fund has a structural imbalance.  Yes  No

### Additional Discussion (if needed)

This legislation estimates and appropriates funding for various City funds.

### Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Finance and Governance (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Reform the City's economic incentives to meet the policy objectives of the City Council
- Ensure the resiliency of City government
- Engage in workforce planning including employee recruitment, development, retention, and engagement
- Ensure a responsive, representative, engaged, and transparent City government
-



# City of Kansas City, Missouri

## Docket Memo

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### Prior Legislation

Related ordinance adopting the FY23 budget, ordinance no. 220199

Related ordinance adopting the FY22 budget, ordinance no. 210159

### Service Level Impacts

All Departments, Divisions, and Subsidiary organizations of KCMO are affected.

### Other Impacts

1. What will be the potential health impacts to any affected groups?

Citywide impact. This budget includes funding that promotes healthy communities.

2. How have those groups been engaged and involved in the development of this ordinance?

The Office of Management and Budget will hold three public budget hearings when the public is invited to view a presentation and give feedback on the proposed budget.

3. How does this legislation contribute to a sustainable Kansas City?

This legislation impacts all of the City's strategies, objectives, goals, and efforts which includes environmental and economic sustainability.

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

N/A

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

N/A





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**File #:** 230176

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ORDINANCE NO. 230176

*Sponsor: Director of the Finance Department*

*Establishing Fund No. 3524, the General Obligation Series 2024A Question 1 Bond Fund in the records of the City of Kansas City, Missouri; estimating and appropriating \$31,310,000.00 from the Unappropriated Fund Balance of the General Obligation Series 2024A Question 1 Bond Fund; establishing Fund No. 3624, the General Obligation Series 2024A Question 2 Bond Fund in the records of the City of Kansas City, Missouri; estimating and appropriating \$5,937,898.00 from the Unappropriated Fund Balance of the General Obligation Series 2024A Question 2 Bond Fund; establishing Fund No. 3724, the General Obligation Series 2024A Question 3 Bond Fund in the records of the City of Kansas City, Missouri; estimating and appropriating \$2,525,000.00 from the Unappropriated Fund Balance of the General Obligation Series 2024A Question 3 Bond Fund; designating requisitioning authorities; declaring the intent of the City to reimburse itself from the bond proceeds for certain expenditures; authorizing the Director of Finance to close project accounts; and establishing the effective date of this ordinance.*

*WHEREAS, Ordinance No. 160877 put before the voters the question of enacting a basic maintenance and capital improvements program for 20 additional years by the extension of the current 1% general sales tax used for capital improvements and maintenance; and*

*WHEREAS, in a Special Election called on April 4, 2017, the voters of the City of Kansas City, Missouri approved Question 1 to be used for funding Streets, Bridges and Sidewalks, Question 2 to be used for Flood Control and Question 3 to be used for Public Buildings; and*

*WHEREAS, pursuant to Committee Substitute for Resolution No. 220937, the 2024-2028 Citywide Business Plan included the Submitted FY 2024-2028 GOKC Bond Five-Year Plan of which the first year of the plan (FY2023-24) was approved; NOW THEREFORE,*

**BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:**

*Section 1. That Fund No. 3524, the General Obligation Series 2024A Question 1 Bond Fund, is hereby established in the records of the City of Kansas City, Missouri.*

*Section 2. That the revenue in the following account of Fund No. 3524 General Obligation Series 2024A Question 1 Bond Fund, is hereby estimated in the following amount:*

*AL-3524-120000-590000                      Bond Proceeds                      \$31,310,000.00*

*Section 3. That the sum of \$31,310,000.00 for Question 1 – Roads, Bridges, Sidewalks is hereby appropriated from the Unappropriated Fund Balance of Fund No. 3524, the General Obligation Series 2024 Question 1 Bond Fund to the following accounts:*

AL-3524-897701-B-89008533	Street Preservation	\$13,450,000.00
AL-3524-898013-B-89008540	E 23rd street Benton to Indiana	1,000,000.00
AL-3524-898015-B-89023032	Marlborough Community Infrastructure	1,350,000.00
AL-3524-898013-B-89005582	Byrams Ford Bridge	500,000.00
AL-3524-898077-B-89060955	Sidewalk Repair	5,000,000.00
AL-3524-898077-B-89008918	Complete Streets	500,000.00
AL-3524-898077-B-89060957	ADA Curb Ramps	2,500,000.00
AL-3524-898035-B-89008587	Gregory Blvd. over Big Blue River	1,000,000.00
AL-3524-898077-B-89004854	Vision Zero	500,000.00
AL-3524-898016-B-89008863	Wornall, Gregory to 75 <sup>th</sup>	5,200,000.00
AL-3524-077010-B-07A21100	Public Art - Streets	310,000.00
	<b>ROADWAY TOTAL</b>	<b>\$31,310,000.00</b>

Section 4. That Fund No. 3624, the General Obligation Series 2024A Question 2 Bond Fund, is hereby established

in the records of the City of Kansas City, Missouri.

Section 5. That the revenue in the following account of Fund No. 3624, the General Obligation Series 2024A Question 2 Bond Fund, is hereby estimated in the following amount:

AL-3624-120000-590000	Bond Proceeds	\$ 5,937,898.00
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Section 6. That the sum of \$5,937,898.00 for Question 2 – Flood Control is hereby appropriated from the Unappropriated Fund Balance of Fund No. 3624, the General Obligation Series 2024A Question 2 Bond Fund to the following accounts:

AL-3624-808054-B-82000332	Westport Flood	\$ 4,685,357.00
AL-3624-808052-B-82000365	Milray Stoddard	495,000.00
AL-3624-808057-B-82000090	Flood Warning System	698,750.00
AL-3624-077020-B-07A21100	Public Art – Flood Control	<u>58,791.00</u>
	FLOOD TOTAL	\$ 5,937,898.00

Section 7. That Fund No. 3724, the General Obligation Series 2024A Question 3 Bond Fund, is hereby established in the records of the City of Kansas City, Missouri.

Section 8. That the revenue in the following account of Fund No. 3724, the General Obligation Series 2024A Question 3 Bond Fund, is hereby estimated in the following amount:

AL-3724-120000-590000	Bond Proceeds	\$ 2,525,000.00
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Section 9. That the sum of \$2,525,000.00 is hereby appropriated for Question 3 – Public Buildings from the Unappropriated Fund Balance of Fund No. 3724, the General Obligation Series 2024A Question 3 Bond Fund to the following accounts:

AL-3724-078025-B-70224001	KC Zoo ADA Compliance	\$
2,000,000.00		
AL-3724-078027-B-07000175	City Hall Renovations	
500,000.00		
AL-3724-077030-B-07A21100	Public Art – Public Buildings	
<u>25,000.00</u>		
	BUILDINGS TOTAL	\$ 2,525,000.00

Section 10. That the Director of Public Works is hereby designated as the requisitioning authority for Account Nos. AL-3524-897701, AL-3524-898015, AL-3524-898013, AL-3524-898077, AL-3524-898035, AL-3524-898016, the Director of the General Services Department is hereby designated as the requisitioning authority for Account Nos. AL-3524-077010, AL-3624-077020, AL-3724-077030, AL-3724-078025 AL-3724-078027, that the Director of Water Services is hereby designated as the requisitioning authority for Account Nos. AL-3624-808054, AL-3624-808057 and AL-3624-808052.

*Section 11. That the City Council hereby declares its official intent to reimburse itself for certain expenditures made within sixty (60) days prior to or on and after the date of this ordinance with respect to appropriations in Section 3, Section 6 and Section 9 (collectively the "Appropriations") with the proceeds of bonds expected to be issued by the City. The maximum principal amount of bonds expected to be issued for the Appropriations is not to exceed \$39,772,898.00. This constitutes a declaration of official intent under Treasury Regulation 1.150-2.*

*Section 12. That the Director of Finance is hereby authorized to close project accounts, open encumbrances and retainage related to the accounts in Section 3, Section 6 and Section 9, and return the unspent portion to the Fund balance from which it came upon the earliest of: (i) Project's completion; (ii) final maturity of financing or (iii) five years after issuance.*

*Section 13. That this ordinance shall become effective on May 1, 2023.*

..end

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I hereby certify that there is a balance, otherwise unencumbered, to the credit of the appropriation to which the foregoing expenditure is to be charged, and a cash balance, otherwise unencumbered, in the treasury, to the credit of the fund from which payment is to be made, each sufficient to meet the obligation hereby incurred.

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Tammy L. Queen  
Director of Finance

Approved as to form:

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Katherine Chandler  
Senior Associate City Attorney



# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Finance

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

Establish funds for Questions 1, 2 and 3 of the FY24 GO Bond issuance, estimates funding and appropriates funds to specific projects.

### Discussion

This ordinance establishes funds for FY24 questions 1, 2 and 3 of the FY24 GO Bond issuance, estimates funds and appropriates to the projects that were approved to fund with the approval of the 5 year Bond plan in ordinance 220937 with the Citywide Business Plan.

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

Bond issuance 2024 for GO Bond questions 1, 2 and 3, giving the authority to estimate bond funds and appropriate them.

3. How does the legislation affect the current fiscal year?

Yes, it issues the funding to pay for the projects in FY24 approved in the 5 year plan for the GO Bond.

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

Bond was approved by voters, we are issuing funds to projects that will be paid for by GO Bond sale

5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

Click or tap here to enter text.



# City of Kansas City, Missouri

## Docket Memo

### Office of Management and Budget Review

(OMB Staff will complete this section.)

- 1. This legislation is supported by the general fund.  Yes  No
- 2. This fund has a structural imbalance.  Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

### Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Finance and Governance (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Reform the City's economic incentives to meet the policy objectives of the City Council
- Ensure the resiliency of City government
- Engage in workforce planning including employee recruitment, development, retention, and engagement
- Ensure a responsive, representative, engaged, and transparent City government
- 
- 

### Prior Legislation

Ordinance 160877 but the 20 year bond issuance to voters, ordinance 220937 approved the five year plan FY24 is funding. This year funds year one of the approved 5 year plan passed with ordinance 220937.

### Service Level Impacts

Once this ordinance passes, the projects approved in year 1 of the 5 year plan will be funded and the departments assigned to them can begin working on completing the projects as outlined in the ordinance.

# City of Kansas City, Missouri

## Docket Memo

### Other Impacts

1. What will be the potential health impacts to any affected groups?

These projects will increase health of groups that utilize these assets by allowing walkability around the City as well as improve flood control in areas needing it the most. The projects as a whole will not only provide walkability but will increase safety of the individuals utilizing the projects outlined leading to overall health. These projects were reviewed using life X and environmental justice tracts for overall health improvement.

2. How have those groups been engaged and involved in the development of this ordinance?

Citizens have spoken out in request of several of the projects funded, other projects are finishing already started projects throughout the city that have been in progress. Further outreach with construction and design will be completed by departments as they move to building the projects.

3. How does this legislation contribute to a sustainable Kansas City?

Yes, these projects were reviewed looking at various sustainability studies

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

Click or tap here to enter text.

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

Click or tap here to enter text.



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**File #: 230184**

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ORDINANCE NO. 230184

Sponsor: Director of the Finance Department

Establishing Fund No. 3823, the General Obligation Series Bond Series 2023A Q1-22 Projects Fund in the records of the City of Kansas City; estimating revenues in the amount of \$40,600,000.00 in Fund No. 3823, the General Obligation Series Bond Series 2023A Q1-22 Projects Fund and appropriating the same; designating requisitioning authorities; authorizing the Director of Finance to modify revenue estimates and appropriations as required and to close project accounts upon completion.

WHEREAS, the City of Kansas City, Missouri (the “City”), is authorized under the provisions of Article VI, Section 26 of the Constitution of Missouri, 1945, as amended, and its charter (the “General Obligation Bond Law”) to incur indebtedness and issue and sell general obligation bonds of the City to evidence such indebtedness for lawful purposes, upon obtaining the approval of the required majority of the qualified electors of the City voting on the question to incur such indebtedness; and

WHEREAS, pursuant to General Obligation Bond Law, a special election was also duly held in the City on Tuesday, November 8, 2022 (the “2022 Election”), on the question of whether to issue general obligation bonds of the City in an amount not to exceed \$125,000,000 for the purpose of paying for the acquisition, construction, renovation, improvement, equipping, and furnishing of City parks, recreation, and entertainment facilities (the “Parks and Entertainment Facilities Question”); and

WHEREAS, the City has not previously issued any of the general obligation bonds authorized pursuant to the 2022 Election and now proposes to issue general obligation for the purpose of financing \$35,000,000 improvements to parks and entertainment facilities as so authorized at the 2022 Election by the approval of the Parks and Entertainment Facilities Question; and

WHEREAS, pursuant to Ordinance No. 220918, As Amended, the total amount to be issued for City Parks projects is \$8.25 million and these projects represent the Citywide allocation of projects and the required in-district allocations will be handled in future bond issuances; and

WHEREAS, the Board of Parks and Recreation has approved the \$8.25 million Citywide allocation; and



WHEREAS the cost of the projects will be funded with the issuance of general obligation bonds in Spring 2023 and scheduled debt service payments on the bonds will be made from ad valorem taxes over a successive twenty (20) year period with the first payments beginning in fiscal year 2024; NOW, THEREFORE,

**BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:**

Section 1. That Fund No. 3823 is hereby established as the General Obligation Series Bond Series 2023A Q1-22 Projects Fund in the books and records of the City of Kansas City, Missouri.

Section 2. That the revenue in the following accounts of Fund No. 3823, the General Obligation Series Bond Series 2023A Q1-22 Projects Fund, is hereby estimated in the following amounts:

AL-3823-120000-590000	Bond Proceeds	\$35,000,000.00
AL-3823-120000-485100	Premium on Sale of Bonds	<u>5,600,000.00</u>
	<b>TOTAL</b>	<b>\$40,600,000.00</b>

Section 3. That the sum of \$40,600,000.00 is hereby appropriated from the Unappropriated Fund Balance of the General Obligation Series Bond Series 2023A Q1-22 Projects Fund to the following accounts:

AL-3823-707567-B-70204994	SECC Pool Conversion	\$ 3,500,000.00
AL-3823-707567-B-70232310	Community Ctr. Facility Study	450,000.00
AL-3823-707567-B-70226400	9th & Van Brunt Field Replacements	3,000,000.00
AL-3823-707567-B-70235002	BRW Connecting Park Design	350,000.00
AL-3823-707567-B-70225031	MLK Jr. Park Parking Lot	450,000.00
AL-3823-707567-B-70232201	MLK Jr. Brush Creek Bridge	500,000.00
AL-3823-638027-B-63CARPT23	Bartle Hall Carpet Replacement	475,000.00
AL-3823-638027-B-MCADARR23	Convention Restroom Renovations	1,200,000.00
AL-3823-638027-B- 63ADAGB23	Grand Ballroom ADA	230,000.00
AL-3823-638027-B-63CHAIR23	Chair Replacement	759,000.00
AL-3823-638027-B-MCADAEL23	Municipal & Conventions Elevator ADA Improvements	4,000,000.00
AL-3823-638027-B-63EXNTW23	Wireless Network Upgrade	3,000,000.00
AL-3823-638027-B- 63INTNT23	Internet Upgrade	1,195,343.00
AL-3823-638027-B- 63AUDEQ23	Audio Equipment Upgrade	400,000.00
AL-3823-638027-B- 63EBESC23	East Escalator Replacement	935,314.00
AL-3823-638027-B- 63GBLIT23	Grand Ballroom - Lighting	1,195,343.00
AL-3823-638027-B- 63NDOCP23	North Dock Pad Remodel	1,300,000.00
AL-3823-638027-B- MAMHADA24	Music Hall – ADA Remodel	400,000.00
AL-3823-638027-B- MABHSEC24	Municipal & Bartle – Security Camera Upgrade	300,000.00
AL-3823-638027-B- 63STEXL23	Bartle Hall Exterior Lighting	1,200,000.00
AL-3823-638027-B- 63UTLFP24	Bartle Hall Utility Floor Port	600,000.00
AL-3823-638027-B- 63TABST24	Bartle Hall Staging/Table R	

	Replacement	300,000.00
AL-3823-638027-B-63FIRSU24	Conventions Fire Suppression	
	Improvements	450,000.00
AL-3823-638027-B- 63BCEXL23	Broadway Exterior Lighting	1,300,000.00
AL-3823-638027-B- 63RRADA25	Restroom & ADA Renovations	2,750,000.00
AL-3823-638027-B- MADAIMP25	Municipal Arena ADA	
	Improvements	2,100,000.00
AL-3823-638027-B- MHFRTEL23	Music Hall Freight Elevator	
	Replacement	2,500,000.00
AL-3823-638027-B- 63DISIG23	Meeting Room Digital Signage	160,000.00
AL-3823-129620-G	Cost of Issuance	700,000.00
AL-3823-129631-G	Underwriter's Discount	800,000.00
AL-3823-129632-G	Discount on Sale of Bonds	4,090,000.00
AL-3823-129686-B	Arbitrage Rebate Calculation	<u>10,000.00</u>
	TOTAL	<u>\$40,600,000.00</u>

Section 6. That the Director of Parks and Recreation is designated as the requisitioning authority for Account No. AL-3823-707567-B, that the Director of Conventions and Entertainment Facilities is designated as requisitioning authority for Account No. AL-3823-638027-B and that the Director of Finance is designated as the requisitioning authority for Account Nos. AL-3823-129620-B, AL-3823-129631-B, AL-3823-129632-B and AL-3823-129686-B.

Section 7. That the City Council hereby declares its official intent to reimburse itself for certain expenditures made within sixty (60) days prior to or on and after the date of this Ordinance with respect to appropriations in Section 3 (the "Appropriation") with the proceeds of bonds expected to be issued by the City. The maximum principal amount of bonds expected to be issued for the Appropriation is not to exceed \$40,600,000.00. This constitutes a declaration of official intent under Treasury Regulation 1.150-2.

Section 8. That the Director of Finance is hereby authorized to modify the previously approved estimated revenues and appropriations in Section 3 as required to correctly record the budgetary amounts finalized through the sale of the Series 2023A Bonds into the marketplace.

Section 9. That the Director of Finance is hereby authorized to close project accounts, encumbrances and retainage related to the accounts in Section 3 and return the unspent portion to the fund balance from which it came upon the earliest of: (i) Project's completion; (ii) final maturity of financing, or (iii) five years after issuance.

..end

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I hereby certify that there is a balance, otherwise unencumbered, to the credit of the appropriation to which the foregoing expenditure is to be charged, and a cash balance, otherwise unencumbered, in the treasury, to the credit of the fund from which payment is to be made, each sufficient to meet the obligation hereby incurred.

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Tammy L. Queen  
Director of Finance

Approved as to form:

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Katherine Chandler  
Senior Associate City Attorney



# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Finance

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

Establishing Fund No. 3823, the General Obligation Series Bond Series 2023A Q1-22 Projects Fund, and estimating \$ 40,600,000.00 in bond proceeds from the sale of the General Obligation 2023A bonds and appropriating these proceeds across projects that fall under Question 1 of the 2022 Voted Authorization and designating requisitioning authorities. The Director of Finance is authorized to modify revenue estimates and appropriations as required and to close project accounts upon completion.

### Discussion

On November 8, 2022, Kansas City voters approved Question 1 on the ballot, which authorized up to \$125,000,000 in GO bonds for the purpose of paying for the acquisition, construction, renovation, improvement, equipping, and furnishing of City parks, recreation, and entertainment facilities. This ordinance advance appropriates for \$35 million of projects anticipating a Spring 2023 bond sale. Ordinance No. 220918, As Amended, requires a 75%/25% split between in-district and Citywide Parks projects, respectively. This ordinance approves \$8.25 million in Citywide projects for Parks and \$26.75 million in Convention and Entertainment Centers projects. The in-district projects for Parks will be issued in future years.

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

Ad valorem property taxes..

3. How does the legislation affect the current fiscal year?

Project appropriations will become available for use in the current fiscal year upon passage of this ordinance.

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

Yes. At a federally tax-exempt interest rate of 4.33% and aggregate principal amount of 34,230,000, debt service is expected to average \$2.75 million per year for 20 years for



# City of Kansas City, Missouri

## Docket Memo

this portion of the GO 2023A bonds attributable to these appropriations. Debt service will be funded from existing property tax revenues.

- 5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

Improvements to area parks will create a better experience for those visiting the parks, and improvements to the Convention Center will allow it to continue hosting events that bring tourism revenue to the City.

### Office of Management and Budget Review

(OMB Staff will complete this section.)

- 1. This legislation is supported by the general fund.  Yes  No
- 2. This fund has a structural imbalance.  Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

## Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Infrastructure and Accessibility (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Enhance the City's connectivity, resiliency, and equity through a safe, efficient, convenient, inclusive, accessible, sustainable and better connected multi-modal transportation system
- Develop environmentally sound and sustainable infrastructure strategies that improve quality of life and foster economic growth
- Increase and support local workforce development and minority, women, and locally-owned businesses
- Engage in efforts to strategically invest in the City's infrastructure and explore emerging technologies
-

# City of Kansas City, Missouri

## Docket Memo

□

### Prior Legislation

Committee Substitute for Ordinance 220663 authorized the election in which voters approved the issuance of \$125,000,000 in bonds to finance improvements to park and entertainment facilities.

Ordinance No. 220918, As Amended, sets out a 75%/25% split between in-district and Citywide Parks projects.

### Service Level Impacts

This ordinance will provide funding for improved park and convention facilities.

### Other Impacts

1. What will be the potential health impacts to any affected groups?

Upgraded park facilities mean greater chances at healthy activities.

2. How have those groups been engaged and involved in the development of this ordinance?

The Board of Parks and Recreation and the Public Improvements Advisory Committee have both reviewed and approved the various improvement projects related to Parks and Recreation.

3. How does this legislation contribute to a sustainable Kansas City?

Improved convention facilities will allow Kansas City to remain competitive in hosting conventions, which bring revenue into the City.

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

Not applicable. This ordinance does not seek approval of contracts.

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

Not applicable. This ordinance does not seek approval of contracts.



# APPROPRIATION TRANSACTION

## CITY OF KANSAS CITY, MISSOURI

DEPARTMENT: **Finance Department**

BUSINESS UNIT: **KCMBU**

DATE: **2/14/2023**

JOURNAL ID: \_\_\_\_\_

LEDGER GROUP: **ADMIN**

BUDGET PERIOD: \_\_\_\_\_

	<u>FUND</u>	<u>DEPT ID</u>	<u>ACCOUNT</u>	<u>PROJECT</u>	<u>AMOUNT</u>
AL	3823	707567	611060	70204994	3,500,000.00
AL	3823	707567	611040	70232310	450,000.00
AL	3823	707567	611060	70226400	3,000,000.00
AL	3823	707567	611040	70235002	350,000.00
AL	3823	707567	611060	70225031	450,000.00
AL	3823	707567	611060	70232201	500,000.00
AL	3823	638027	611060	63CARPT23	475,000.00
AL	3823	638027	611060	MCADARR23	1,200,000.00
AL	3823	638027	611060	63ADAGB23	230,000.00
AL	3823	638027	611060	63CHAIR23	759,000.00
AL	3823	638027	611060	MCADAEL23	4,000,000.00
AL	3823	638027	611060	63EXNTW23	3,000,000.00
AL	3823	638027	611060	63INTNT23	1,195,343.00
AL	3823	638027	611060	63AUDEQ23	400,000.00
AL	3823	638027	611060	63EBESC23	935,314.00
AL	3823	638027	611060	63GBLIT23	1,195,343.00
AL	3823	638027	611060	63NDOCP23	1,300,000.00
AL	3823	638027	611060	MAMHADA24	400,000.00
AL	3823	638027	611060	MABHSEC24	300,000.00
AL	3823	638027	611060	63STEXL23	1,200,000.00
AL	3823	638027	611060	63UTLFP24	600,000.00
AL	3823	638027	611060	63TABST24	300,000.00
AL	3823	638027	611060	63FIRSU24	450,000.00
AL	3823	638027	611060	63BCEXL23	1,300,000.00
AL	3823	638027	611060	63RRADA25	2,750,000.00
AL	3823	638027	611060	MADAIMP25	2,100,000.00
AL	3823	638027	611060	MHFRTTEL23	2,500,000.00
AL	3823	638027	611060	63DISIG23	160,000.00
AL	3823	129620	743050		700,000.00
AL	3823	129631	743050		800,000.00
AL	3823	129632	743150		4,090,000.00
AL	3823	129686	743250		10,000.00

TOTAL 40,600,000.00

**DESCRIPTION:** Appropriate Proceeds of General Obligation Bonds under the 2022 Voted Authorization

APPROVED BY: \_\_\_\_\_ DATE \_\_\_\_\_ APPROVED BY: DEPARTMENT HEAD \_\_\_\_\_ DATE \_\_\_\_\_



# GO Bond Series 2023 Appropriation

ORDINANCE NO. 230184

FINANCE, GOVERNANCE AND PUBLIC SAFETY  
COMMITTEE



# Background

## 2022 Authorization

- ▶ November 8, 2022 – Voters approved two ballot questions for the issuance of general obligation bonds
  - ▶ Parks, recreation, and entertainment facilities, including related parking structures
    - ▶ \$125 million
      - ▶ \$80 million - Parks
      - ▶ \$45 million - Conventions
  - ▶ Affordable housing
    - ▶ \$50 million

# New GO Bond

2022  
Authorization

- ▶ Anticipate issuing GO Bonds over a five-year period
  - ▶ Year 1 - \$35 million
  - ▶ Year 2 - \$35 million
  - ▶ Year 3 - \$25 million
  - ▶ Year 4 - \$20 million
  - ▶ Year 5 - \$60 million

# GO Bond

Appropriation  
Ordinance No.  
230184

- ▶ Establish GO Series 2023A Q1-22 Project Fund
- ▶ Estimate and appropriate bond proceeds for Year 1
  - ▶ Question No. 1 Projects
  - ▶ Parks, recreation, and entertainment facilities
    - ▶ \$35 million – total project proceeds

Project	Score	FY2023
Bartle Hall Carpet Replacement 2200 & 2300 Lobby	40	\$ 475,000
Municipal & Convention Facilities Restroom & ADA Renovations: Bid Package	55	\$ 1,200,000
Bartle Hall Grand Ballroom ADA	50	\$ 230,000
Municipal & Convention Facilities Elevator ADA Improvements	50	\$ 4,000,000
Convention Center Chair Replacement	30	\$ 759,000
Bartle Hall Wireless Exhibitor Network Upgrade	30	\$ 3,000,000
Bartle Hall Internet Infrastructure Upgrade	30	\$ 1,195,343
Bartle Hall Audio Equipment Upgrade	30	\$ 400,000
Bartle Hall 2200 East Escalator Replacement	50	\$ 935,314
Grand Ballroom - Lighting System Replacement	40	\$ 1,195,343
North Dock Pad Remodel	30	\$ 1,300,000
13th Bartle Hall Street Exterior Lighting	40	\$ 1,200,000
Bartle Hall Broadway/Central Exterior Lighting	40	\$ 1,300,000
Municipal Auditorium Music Hall Freight Elevator Replacement	45	\$ 2,500,000
Bartle Hall Meeting Room Digital Signage	30	\$ 160,000
Municipal Auditorium Music Hall ADA Music Hall Remodel	55	\$ 400,000
Municipal Auditorium & Bartle Hall Security Camera Upgrades	45	\$ 300,000
Bartle Hall Utility Floor Port Improvements	40	\$ 600,000
Bartle Hall staging and table replacement	30	\$ 300,000
Convention Facilities Fire Suppression System Improvements	40	\$ 450,000
Restroom & ADA Renovations	50	\$ 2,750,000
Municipal Arena ADA Improvements	55	\$ 2,100,000
<b>Total</b>		<b>\$ 26,750,000</b>

# Question No. 1

## Conventions Year 1 Projects

# Parks and Recreation Question No. 1 Projects

- Ordinance No. 220918, As Amended
  - Sixty-four percent (64%) of Question 1 set aside for City Parks
    - 75% of Parks funding allocated proportionally among Council Districts
    - 25% of Parks funding available for Citywide projects
  - Each council district to determine projects for in-district Parks funding
    - Remaining Parks funding recommended by Parks and Recreation Board in consultation with PIAC and approved by Council



Project	Score	FY2023
Community Center Study	65	\$ 450,000
SE Community Center Aquatics	65	\$ 3,500,000
9th and Van Brunt 2-Synthetic Field and 2- Futsal Courts	65	\$ 3,000,000
Dr Martin Luther King Jr. Park Parking Lot	79	\$ 450,000
Bruce R. Watkins Connecting Park	79	\$ 350,000
Dr Martin Luther King Jr. Brush Creek Bridge	79	\$ 500,000
<b>TOTAL</b>		<b>\$ 8,250,000</b>

# Question No. 1

## Parks Year 1 Projects

Pursuant to Ordinance No. 220918, As Amended

- Parks Board recommendations
- PIAC reviewed
- Year 1 projects do not include in-district funding
  - 75/25 split will be maintained over life of the GO program

Questions?



# GO Bond Series 2023 Appropriation

ORDINANCE NO. 230184

FINANCE, GOVERNANCE AND PUBLIC SAFETY  
COMMITTEE



# Background

## 2022 Authorization

- ▶ November 8, 2022 – Voters approved two ballot questions for the issuance of general obligation bonds
  - ▶ Parks, recreation, and entertainment facilities, including related parking structures
    - ▶ \$125 million
      - ▶ \$80 million - Parks
      - ▶ \$45 million - Conventions
  - ▶ Affordable housing
    - ▶ \$50 million

# New GO Bond

2022  
Authorization

- ▶ Anticipate issuing GO Bonds over a five-year period
  - ▶ Year 1 - \$35 million
  - ▶ Year 2 - \$35 million
  - ▶ Year 3 - \$25 million
  - ▶ Year 4 - \$20 million
  - ▶ Year 5 - \$60 million

# GO Bond

Appropriation  
Ordinance No.  
230184

- ▶ Establish GO Series 2023A Q1-22 Project Fund
- ▶ Estimate and appropriate bond proceeds for Year 1
  - ▶ Question No. 1 Projects
  - ▶ Parks, recreation, and entertainment facilities
    - ▶ \$35 million – total project proceeds

Project	Score	FY2023
Bartle Hall Carpet Replacement 2200 & 2300 Lobby	40	\$ 475,000
Municipal & Convention Facilities Restroom & ADA Renovations: Bid Package	55	\$ 1,200,000
Bartle Hall Grand Ballroom ADA	50	\$ 230,000
Municipal & Convention Facilities Elevator ADA Improvements	50	\$ 4,000,000
Convention Center Chair Replacement	30	\$ 759,000
Bartle Hall Wireless Exhibitor Network Upgrade	30	\$ 3,000,000
Bartle Hall Internet Infrastructure Upgrade	30	\$ 1,195,343
Bartle Hall Audio Equipment Upgrade	30	\$ 400,000
Bartle Hall 2200 East Escalator Replacement	50	\$ 935,314
Grand Ballroom - Lighting System Replacement	40	\$ 1,195,343
North Dock Pad Remodel	30	\$ 1,300,000
13th Bartle Hall Street Exterior Lighting	40	\$ 1,200,000
Bartle Hall Broadway/Central Exterior Lighting	40	\$ 1,300,000
Municipal Auditorium Music Hall Freight Elevator Replacement	45	\$ 2,500,000
Bartle Hall Meeting Room Digital Signage	30	\$ 160,000
Municipal Auditorium Music Hall ADA Music Hall Remodel	55	\$ 400,000
Municipal Auditorium & Bartle Hall Security Camera Upgrades	45	\$ 300,000
Bartle Hall Utility Floor Port Improvements	40	\$ 600,000
Bartle Hall staging and table replacement	30	\$ 300,000
Convention Facilities Fire Suppression System Improvements	40	\$ 450,000
Restroom & ADA Renovations	50	\$ 2,750,000
Municipal Arena ADA Improvements	55	\$ 2,100,000
<b>Total</b>		<b>\$ 26,750,000</b>

# Question No. 1

## Conventions Year 1 Projects

# Parks and Recreation Question No. 1 Projects

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Pursuant to Ordinance No. 220918, As Amended

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- PIAC reviewed
- Year 1 projects do not include in-district funding
  - 75/25 split will be maintained over life of the GO program

Questions?



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**File #:** 230129

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RESOLUTION NO. 230129

Sponsor: Councilmember Ryana Parks-Shaw

RESOLUTION - Directing the City Manager to present a funding plan that will result in the City contributing \$30 million from Unappropriated Fund Balance for the purpose of funding the local strategies outlined in the Blueprint for Violence Prevention and Healthy Communities and directing the City Manager to present the funding plan to Council before or at the same time as the presentation of the annual budget, if possible, but in no event any later than 24 hours prior to the first public budget meeting.

WHEREAS, the Violence Free Kansas City Committee (VFKCC) was formed by the Kansas City Health Commission in February 2014 to implement coordinated strategies that prevent and deter violence; and

WHEREAS, the VFKCC created the KC Blueprint for Violence Prevention and a Safe and Healthy Community (“KC Blueprint”), a city-wide multi-sectoral collective impact effort of public and private entities, with the mission to ensure that violence prevention and deterrence efforts are coordinated and rooted in the public health and community resilience approaches; and

WHEREAS, through this blueprint, the Kansas City, Missouri Health Department, the Health Commission, and VFKCC strive to reduce violence and trauma through evidence-based and best practices that mobilize residents, multiple government departments, the business sector, faith community, nonprofits, neighborhood groups, school districts, and more to explicitly state actions various community sectors can take to increase resilience factors (factors that protect against violence) and reduce risk factors (factors that increase the likelihood of violence); and

WHEREAS, leveraging evidence-based and best practices, as well as existing initiatives and partnerships, the KC Blueprint provides a path forward for Kansas Citians to create safe neighborhoods and prevent multiple forms of violence; and

WHEREAS, preventing violence and healing our city requires collective impact across sectors to improve the community environments where we live and play, learn, work and receive care. The goals of the KC Blueprint are organized by community environments; and

WHEREAS, the KC Blueprint calls for support of resident leaders to strengthen neighborhoods block by block, while also holding systems accountable for investing equitably in priority. Strategies included under this goal are also intended to improve community norms and



the look, feel and safety of the physical environment while reducing access to harms like firearms used for violence. This goal focuses on citywide implementation; and

WHEREAS, the KC Blueprint also prioritizes investing in child development; and

WHEREAS, the business and workforce development sectors significantly shape where we work and can help set a path toward economic opportunity for the community to lift up individuals who are most often excluded from opportunities and at highest risk for violence such as youth, previously incarcerated individuals and immigrant and refugee populations; and

WHEREAS, the KC Blueprint identifies the importance of understanding that the service and care that we receive has a direct effect on our health and wellbeing; and

WHEREAS, realignment opportunities exist internally and are related to how we expend resources for youth employment, recreation, neighborhood development, public safety, public health, community development, economic development and other city functions would have a stronger impact if executed synergistically; and

WHEREAS, in 2020 through 2021, the average number of homicides in Kansas City, Missouri was 168. In 2022, there were 169. So far in 2023, we are trending at similar rates with already 14 homicides in January; and

WHEREAS, the City Council, recognizing these important goals, adopted the KC Blueprint on July 16, 2020, through Resolution No. 200557; and

WHEREAS, the City Council recognizes that there are external sources of revenue and the City should have the infrastructure needed to attract such external resources and support to carry out the KC Blueprint; and

WHEREAS, the City Council believes in the goals of the KC Blueprint and in taking steps to prevent violence and create a safe and healthy community and wants to make budgeting of the KC Blueprint a priority; NOW, THEREFORE,

**BE IT RESOLVED BY THE COUNCIL OF KANSAS CITY:**

Section 1. That the City Manager is directed to present a funding plan that will result in the City contributing \$30 million from Unappropriated Fund Balance towards the purpose of funding the local strategies outlined in the Blueprint for Violence Prevention and Healthy Communities.

Section 2. That the City Manager is directed to present the funding plan to Council before or at the same time as the presentation of the annual budget, if possible, but in no event any later than 24 hours prior to the first public budget meeting.

..end



# City of Kansas City, Missouri

## Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Mayor/Council's Office

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

### Executive Summary

Directing the City Manager to present a funding plan that will result in the City contributing \$30 million from Unappropriated Fund Balance for the purpose of funding the local strategies outlined in the Blueprint for Violence Prevention and Healthy Communities and directing the City Manager to present the funding plan to Council before or at the same time as the presentation of the annual budget, if possible, but in no event any later than 24 hours prior to the first public budget meeting.

### Discussion

[Click or tap here to provide more detailed information and analysis on this topic.](#)

### Fiscal Impact

1. Is this legislation included in the adopted budget?  Yes  No

2. What is the funding source?

This legislation is directing the City Manager to determine a funding plan for \$30 million.

3. How does the legislation affect the current fiscal year?

This legislation does not yet have a funding plan.

4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.

This legislation does not yet have a funding plan but proposes to use the Unappropriated Fund Balance of the General Fund. This does not represent a one-time use which would result in less debt issuance (a credit positive) but rather, potentially creates a new program(s) which could require ongoing funding.

5. Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?



# City of Kansas City, Missouri

## Docket Memo

Click or tap here to provide fund name(s).

### Office of Management and Budget Review

(OMB Staff will complete this section.)

- 1. This legislation is supported by the general fund.  Yes  No
- 2. This fund has a structural imbalance.  Yes  No

### Additional Discussion (if needed)

Click or tap here to enter text.

### Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Public Safety (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Reduce violent crime among all age groups, placing an emphasis on young offenders
- Evaluate and identify areas of opportunity in the emergency response delivery system to ensure the best possible patient outcome
- Improve the diversity of employee recruitment, succession planning, and retention in the Police and Fire Departments
- Increase effectiveness and efficiencies of operations at Municipal Court and work to achieve the best possible outcomes for those served
- 
- 

### Prior Legislation

Resolution 200557

### Service Level Impacts

# City of Kansas City, Missouri

## Docket Memo

Kansas City, Missouri Health Department, the Health Commission, and VFKCC strive to reduce violence and trauma through evidence-based and best practices that mobilize residents, multiple government departments, the business sector, faith community, nonprofits, neighborhood groups, school districts, and more to explicitly state actions various community sectors can take to increase resilience factors (factors that protect against violence) and reduce risk factors (factors that increase the likelihood of violence);

### Other Impacts

1. What will be the potential health impacts to any affected groups?

Leveraging evidence-based and best practices, as well as existing initiatives and partnerships, the KC Blueprint provides a path forward for Kansas Citians to create safe neighborhoods and prevent multiple forms of violence.

2. How have those groups been engaged and involved in the development of this ordinance?

KC Blueprint calls for support of resident leaders to strengthen neighborhoods block by block, while also holding systems accountable for investing equitably in priority. Strategies included under this goal are also intended to improve community norms and the look, feel and safety of the physical environment while reducing access to harms like firearms used for violence. This goal focuses on citywide implementation.

3. How does this legislation contribute to a sustainable Kansas City?

Realignment opportunities exist internally and are related to how we expend resources for youth employment, recreation, neighborhood development, public safety, public health, community development, economic development and other city functions would have a stronger impact if executed synergistically.

4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?

N/A

[Click or tap here to provide fund name\(s\).](#)

5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?

N/A

# Resolution 230129

Violence Prevention Funding

Finance Department – February 8, 2023

# Resolution 230129

- Directs the City Manager to present a funding plan for the Blueprint for Violence Prevention
  - From unappropriated fund balance of the General Fund
  - \$30 million
- Cautions
  - Fund Balance Policy
  - Annual budget and planning processes
    - Consider with other priorities
  - Five Year Financial Plan
    - Structural imbalance
    - Starting from historically high revenue
    - Recession
  - Existing spending on violence prevention efforts
  - Potential credit rating implications

## General Fund - Fund Balance

Balance as of Year Ending 4/30/22	\$ 177,359,411	\$ 177,359,411
Reserve for Encumbrances and Reappropriations	\$ 18,030,918	\$ 18,030,918

### Current Year Operations:

	Current Budget	Second Quarter	Difference
Revenues	\$ 587,520,837	\$ 651,174,177	\$ 63,653,340
Expenditures	\$ (561,023,114)	\$ (561,737,370)	\$ (714,256)
Transfers In	\$ 22,079,242	\$ 21,765,415	\$ (313,827)
Transfers Out	\$ (70,387,571)	\$ (74,220,666)	\$ (3,833,095)
<b>Estimated Fund Balance Year Ending 4/30/23</b>	<b>\$ 173,579,723</b>	<b>\$ 232,371,885</b>	

## General Fund - Fund Balance Target (Adopted Budget)

\$ 95,568,038

# General Fund – 2<sup>nd</sup> Quarter

## Fiscal Years 2024 - 2028 Financial Plan

### Scenario Description: Baseline

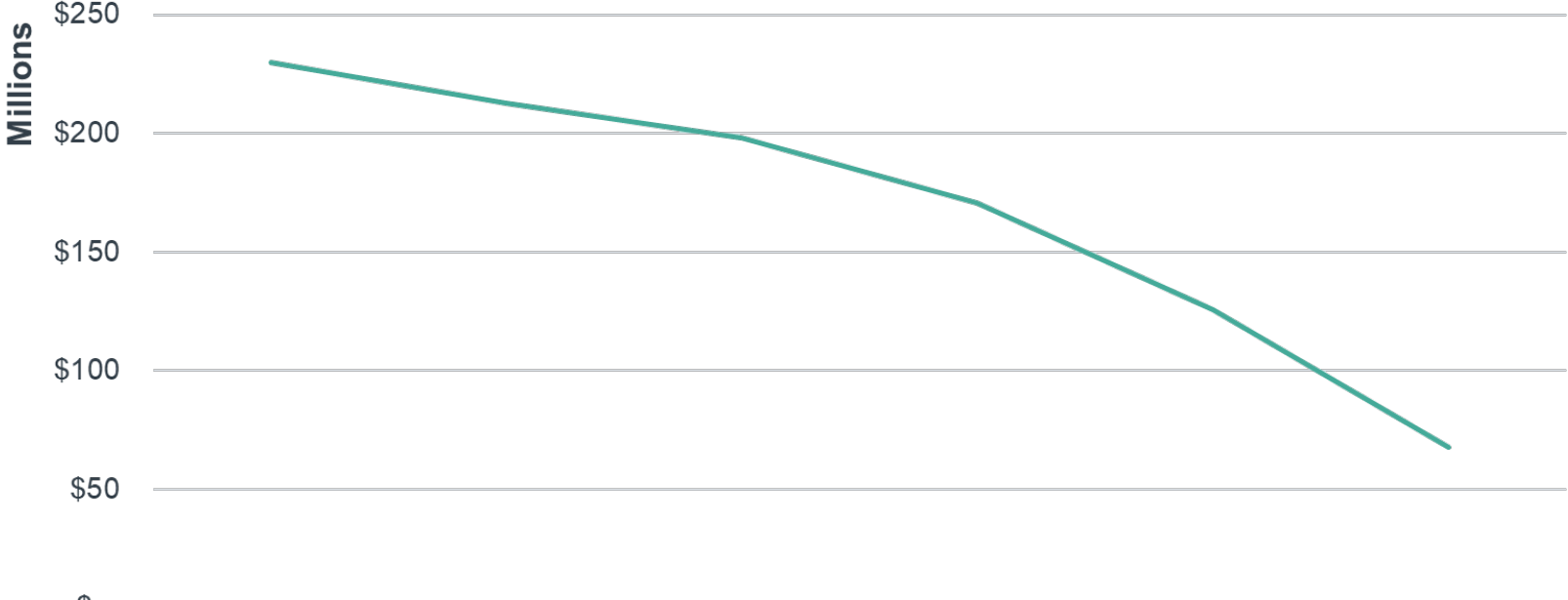
	2022 actuals	2023 adopted	2023 Estimated	2024	2025	2026	2027
<b>GENERAL FUND</b>							
<b>Total Revenue</b>	\$682,181,522	\$608,979,161	\$675,085,390	\$646,550,272	\$657,474,156	\$668,630,104	\$680,033,013
<b>Total Expenditures</b>	\$557,456,336	\$609,007,005	\$636,104,092	\$663,757,019	\$672,051,371	\$695,898,342	\$725,348,375
<b>Reserves - General Fund</b>		\$177,359,412					
<b>Encumbrances and Reappropriation</b>		\$18,030,918	\$234,371,627	\$217,164,880	\$202,587,665	\$175,319,428	\$130,004,066
<i>percent of operating expenditures</i>		32.9%	40.8%	36.5%	33.5%	27.9%	20.1%
<b>Total Operating Surplus/(Loss)</b>		\$ (27,844)	\$ 38,981,298	\$ (17,206,747)	\$ (14,577,215)	\$ (27,268,237)	\$ (45,315,362)

Five Year Financial Plan

Increasing use of available fund balance



# Estimated General Fund Balance



	2023	2024	2025	2026	2027	2028
— Fund Balance	\$229,935,90	\$212,729,15	\$198,151,94	\$170,883,70	\$125,568,34	\$67,907,372

# Five-Year Financial Plan

# Historic Revenue Levels

Is this sustainable?

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Adopted	FY 2022-23 2Q Estimate
<b>Earnings+</b>	<b>\$277.3</b>	<b>\$257.8</b>	<b>\$288.3</b>	<b>\$318.0</b>	<b>\$276.1</b>	<b>\$310.0</b>
<b>Sales^</b>	<b>\$250.9</b>	<b>\$255.2</b>	<b>\$224.2</b>	<b>\$293.0</b>	<b>\$297.7</b>	<b>\$322.3</b>
<b>Property</b>	<b>\$148.2</b>	<b>\$156.1</b>	<b>\$171.2</b>	<b>\$182.7</b>	<b>\$182.4</b>	<b>\$182.8</b>
<b>Hotel/Motel</b>	<b>\$27.1</b>	<b>\$25.1</b>	<b>\$9.7</b>	<b>\$22.1</b>	<b>\$21.5</b>	<b>\$30.7</b>
<b>Restaurant</b>	<b>\$29.1</b>	<b>\$28.4</b>	<b>\$21.3</b>	<b>\$30.2</b>	<b>\$27.2</b>	<b>\$31.3</b>
<b>Local Use</b>	<b>\$43.2</b>	<b>\$41.3</b>	<b>\$55.6</b>	<b>\$60.6</b>	<b>\$55.0</b>	<b>\$66.0</b>
<b>Utility</b>	<b>\$107.0</b>	<b>\$102.9</b>	<b>\$96.9</b>	<b>\$100.9</b>	<b>\$102.9</b>	<b>\$99.5</b>
<b>Licenses/Permits</b>	<b>\$52.6</b>	<b>\$55.5</b>	<b>\$43.9</b>	<b>\$55.9</b>	<b>\$58.4</b>	<b>\$54.4</b>

+ Earnings Tax 2019 filing extension lowers FY 2019-20 and increases FY 2020-21 by \$32.8 million due to timing. Earnings Tax 2020 filing extension lowers FY 2020-21 by \$7.5 million and FY 2021-22 will be higher by that amount due to timing related to extension.

1. Dollar amounts are in millions and rounded to the first decimal
2. Chart represents gross Citywide revenue across all funds

^ New Fire Capital Sales Tax added \$22.6 million in FY 2021-22 Actual

## Additional City Funding Needs

- City Hall Improvements - \$90 million
  - \$4 million in planned debt service in FY24 Submitted Budget to leverage \$40 million
  - \$50 million still needed
- World Cup - \$10 million
- Barney Allis Plaza – General Fund subsidy will be required to service future debt
- Municipal Jail
- Enterprise Resource Planning (ERP) Software – Up to \$20 million

# Credit Rating Implications

- Credit positives
  - Improved and sustained fund balance
  - One-time uses of fund balance for capital projects (instead of debt)
- Credit negatives
  - Use of fund balance to deal with ongoing structural imbalance
    - Priority Based Budgeting
    - Additional programs will add to structural imbalance

# Current Spending on Violence Prevention

Department	Program	Budget
Health	Aim4Peace	\$ 894,539
Health	Violence Prevention	\$ 421,269
Health	Mental Health Initiatives	\$ 635,000
Health	Safety Net Providers*	\$ 3,216,066
Housing	Office of Unhoused Solutions	\$ 1,258,282
Mayor's Office	Youth Employment	\$ 654,221
Municipal Court	Triage Center	\$ 1,000,000
Municipal Court	Specialty Courts	\$ 455,173
Parks and Recreation	Youth Services	\$ 490,935
Police Department	Youth Outreach	\$ 1,787,085
Police Department	Dedicated to community issues**	\$ 4,678,763
Police Department	Crisis intervention team**	\$ 550,228
		<b>\$ 16,041,561</b>
* Only a portion of this should be considered and more information is needed from Health I have currently included as 10% of what is passed through to the safety net providers		
** Source is KCPD's 1/21/22 Letter RE the Requested Budget and Community Policing Fund		

# Blueprint Initiatives for Local Government

Additional funding  
needed for some items

- Map existing violence prevention programs and services
- Access to affordable, mixed rate housing
- Reform TIF policies to prevent exploitation of blight
- Invest in public libraries, parks, and community centers in CD 3 and 5 – partnership with KC Public Library and Parks Sales Tax (no General Fund)
- Increase trash/bulky items within certain neighborhoods – especially CD 3 and 5
- Inclusion of residents and graduates of local schools in impacted areas in workforce for City-funded projects
- Invest in neighborhood associations
- Adopt/enforce policies that regulate the sale of alcohol
- Revise zoning ordinances that market gun shows in and around impacted neighborhoods
- Provide funding for neighborhood-level community workers

# Blueprint Initiatives for Local Government

Additional funding  
needed for some items

- Expand outreach to connect at risk youth and adults to resources
- Promote the development of small businesses within impacted neighborhoods
- Invest in quality early childcare – possible State funding?
- Ensure that staff within the City reflect the demographics of the community
- Invest in youth employment programs – additional funding (\$500k added in FY24 Submitted Budget)
- Contract with businesses that pay at least \$15/hour
- Customer service and police training focused on implicit bias and emphasizing dignity and respect
- Require trauma-informed care training for certain staff

# Alternatives

- Start funding Blueprint initiatives/program
  - \$1 to \$2 million in FY24?
- Develop and fund priorities for FY25 and beyond
  - Priority Based Budgeting as a guide





# KANSAS CITY MISSOURI

The *Violence-Free KC Committee (VFKCC)*  
is a committee within the KC Health  
Commission

# Violence-Free KC Committee

## **Vision**

A violence-free Kansas City in which all communities are safe and healthy for all people, and where young people are valued and cared for as a significant priority.

## **Mission**

The Violence-Free Kansas City Committee ensures that violence prevention and deterrence efforts in Kansas City move toward improved coordination and from collaboration to unity, to achieve safe, caring communities and thriving youth throughout the city.

# VFKCC Committee Members (2022)

- KCMO Public Schools
- KCMO Police Department
- KCMO Health Department
- Youth Ambassadors
- Second Chance, KC Metro Crime Commission
- Children's Mercy Hospital
- Jackson County Prosecutor's Office
- Concerned Clergy Coalition (CCC)
- AdHoc Group Against Crime
- Juvenile Justice Center & Family Court
- Jackson County Community Mental Health Fund
- US Department of Health & Human Services (Region VII)
- MORE<sup>2</sup>

In 2016, the Health Commission's Community Health Improvement Plan included, as an objective, to create, implement and sustain a Youth & Family Violence Prevention Plan by 2021.

**Why was the KC  
Blueprint developed?**

- Recommended by the Commission on Violent Crime (2013, 2017)
- Adopted as a component of the Community Health Improvement Plan (CHIP)
- No existing multi-sector, citywide plan for violence prevention
- Existing approaches focus only on suppression/ deterrence, not actual prevention

## Ten leading factors selected to be strengthened to ensure safety & prevent violence

Rank of order	Risk factors	Responses	%	Questions are from
1	Positive relationships and support	4145	34.3	Individual-and Relationship-Level
2	Jobs/economic opportunity	3451	28.6	Economic/Education Environment
3	Quality schools/education	3292	27.3	Economic/Education Environment
4	Community that promotes safety	2884	23.9	Physical/built Environment
5	Community support and connection	2675	22.2	Sociocultural Environment
6	Safe parks and open spaces	2600	21.5	Physical/built Environment
7	Connection and commitment to school	2569	21.3	Individual- and Relationship-Level
8	Changes in behavior/response that support alternatives to violence	2362	19.6	Sociocultural Environment
9	Skills to solve problems non-violently	2315	19.2	Individual- and Relationship-Level
10	Personal involvement or leadership that improves the community	2192	18.2	Sociocultural Environment

There were 12,072 responses based on online or site survey.





# KC Blueprint Principles

---

- **A Narrative of Hope, Opportunity, and Resilience**
- **Collaboration of Sectors and Stakeholders**
- **Comprehensive Strategies**
- **Evidence, Evaluation and Accountability**

# Sector-based Strategies

- Local government
- Business
- Nonprofit organizations
- Faith
- Health and Social Services
- Law enforcement
- Education
- Resident organizations
- Media
- Funders/Philanthropic
- Multi-sector (collaboratives)

# Across domains

*A violence-free Kansas City in which all communities are **safe, resilient and healthy** for all people, and where young people and families are **valued and cared for** as a significant priority.*

**Where we live and play:**

1. Build strong, thriving, and connected neighborhoods

**Where we learn:**

2. Support healthy childhood development and education

**Where we work:**

3. Foster safety in workplaces & through employment opportunities

**Where we receive care:**

4. Promote safety and dignity through health, social services & family support

**How we build effectiveness & sustainability:**

5. Invest in prevention and community resilience

# Strategy Examples

- Increase the pickup of trash and bulky items within neighborhoods that experience high levels of inflow, outflow, and illegal dumping, particularly in City Council Districts 3 and 5 (**Where we live and play, Local government**)
- Encourage employees to volunteer as mentors to youth within the local schools (**Where we learn, Businesses**)
- Ensure that public-facing staff (e.g., all care providers, reception) treat clients with dignity and appropriate customer service (**Where we receive care, Health and Social Services**)
- Increase opportunities for young people to be gainfully employed through jobs and internships (**Where we live, Businesses**)
- Increase the number of safe spaces for youth in crisis to receive support and counseling (**Where we live, Faith Community**)

# Prior Council Action

- Resolution 200577 Adopted the KC Blueprint for Violence Prevention and a Safe and Healthy Community in July 2020
- Resolution 201076 Directed City Manager to devise a funding strategy plan to fund the Blueprint for Violence Prevention and Healthy Communities

That strategy was never presented and there have been over 500 homicides since the adoption of this plan.