

CITY OF FOUNTAINS

HEART OF THE NATION



KANSAS CITY

MISSOURI

# Ordinance xxxxxx: Updating the Earnings Tax Regulations

Finance, Governance and Public Safety  
committee


December xx, 2022

# Revenue Division Mission Statement

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- The Revenue Division achieves the equitable collection of tax obligations through fair administration, courteous customer service and consistent enforcement of local tax ordinances used to fund city priorities.*





# What are Tax Regulations?

- **Hierarchy of Tax Law**
  - **State Statutes** - enabling legislation for City taxes
  - **Ordinances** – codified municipal tax law
  - **Regulations** – City’s official interpretation of the codified tax law
    - Clarify intent of the law
    - Spell out current practices (*not an authorization for new taxes*)
    - Adopted by ordinance pursuant to Section 68-395 of the Code which authorizes the Director of Finance to:
      - “adopt, promulgate, amend and enforce rules and regulations relating to any matter or thing pertaining to the administration and enforcement of this article... All such rules and regulations must be approved by the city council before they shall become effective.”
  - **Website, Industry Guides, Forms**
    - Practical information and forms

# Who benefits from Revised Regulations?

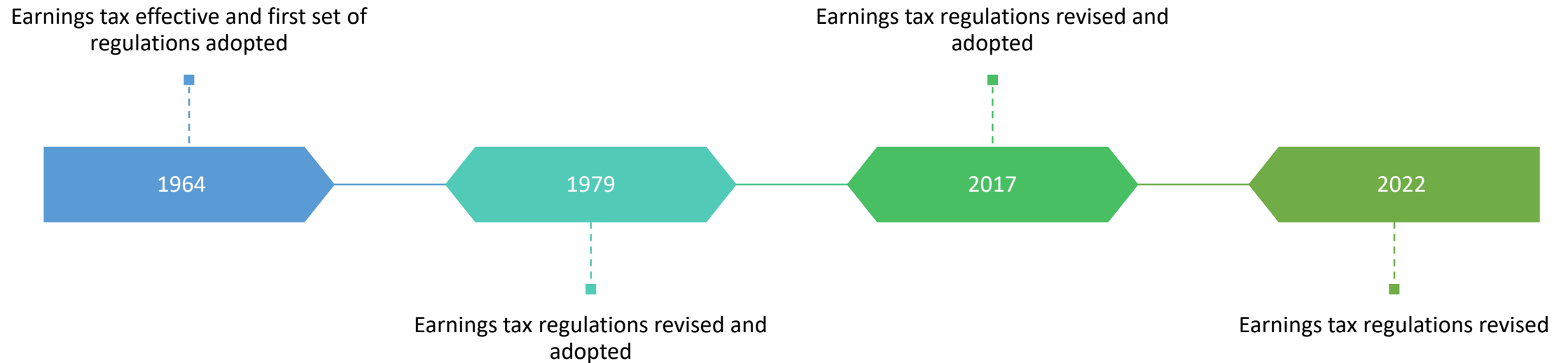
## Taxpayers and tax practitioners

- **Set clear guidelines** – regulations published on City’s website
- **Facilitate compliance** - provide a link to the new Revenue System to assist taxpayers when filing
- **Decrease ambiguity of tax law** – regulations to be updated regularly to stay up to date with changing business environment

## City

- **Ease of administration** - provide audit staff and City Attorney’s Office with clearer guidelines for enforcement

# History of the ETAX Regulations



# The 2022 Revised Regulations provide needed updates to the 2017 Regulations

- Changes include:
  - Definitions and requirements for Professional Employer Organizations and Statutory Employees
  - Reflects the mandate for electronic filing
  - Updates to the tax years in the included examples
  - Removal of reference to taxability of active-duty military pay (now exempt from e-tax) including clarification that the exemption doesn't apply to contractors, or any other non-military pay
  - Details nondeductible expenses for partnerships
  - Offers new examples on taxable compensation from stock options
  - Clarifies that Form W-2 must be filed under the Federal Employer ID Number of the employer remitting the withholding tax
  - Reflects changes to the earnings tax refund ordinance since 2017
  - Revised miscellaneous grammar and formatting corrections



Questions?