

# COMMENTS TO JONESBORO MAYOR & CITY COUNCIL IN OPPOSITION TO PROPOSED JONESBORO SALES TAX INCREASE

by Tom Reeves, Tuesday, September 8, 2015

Comments sent to Mayor and City Council by Email with Microsoft Word Copy For the Record  
*Italicized Comments are Considered to be Very Important*

## Email to Honorable Mayor Perrin and City Council Members:

I will be unable to attend the City Council meeting this evening Tuesday, September 8, 2015. Accordingly **I hereby express my strong opposition to the proposed Sales Taxes Increase** for Jonesboro **and request that you vote NO – that you vote AGAINST the sales tax increase.**

I request that you consider my comments in making your decision.

By separate Microsoft Word copy hereof I will provide my comments to Ms. Donna Jackson for entry into the record for the September 8, 2015 City Council meeting regarding the sales tax increase.

## **THE REASONS JONESBORO'S SALES TAX INCREASE SHOULD NOT BE APPROVED ARE COMPELLING.**

### **They are:**

- The **11.8% sales tax increase is** an **unreasonably large** tax burden increase on the citizens of Jonesboro, AR. The proposed Jonesboro sales tax increase is especially significant **in face of a trend in declining real wages for most of Jonesboro's citizens;** e.g.,
  1. The United States Census Bureau's American Community Survey (ACS) reports that **over 91%** [ $\{17,191 - (771+792)\} \div 17,191$ ] **of Jonesboro residents' household income is less than Jonesboro's \$39,552 median** household income;<sup>1</sup>
  2. The United States Census Bureau's ACS reports indicate that from the year **2012 to the year 2013** (the last year for which data are available) **Real Median Household Income for the Jonesboro AR metro area declined 6.17%;**<sup>2</sup>
  3. The United States Census Bureau's ACS reports that **Jonesboro's "Real median household income peaked in 2006** at \$43,477 **and is now** \$3,925 **(9.03%) lower** notwithstanding a post peak low of \$35,912 in 2011 and a growth of \$3,640 (10.14%) between 2011 and 2013"<sup>3</sup> which appears to be an anomaly in view of the 6.17% decline from 2012 to 2013.

<sup>1</sup> American Community Survey, Family Income in the Past Twelve Months, in 2013 – Inflation-Adjusted Dollars, <http://www.census.gov/acs/www/data/data-tables-and-tools/easy-stats/>

<sup>2</sup> Department of Numbers, U.S. Bureau of Census, ACS 1-Year Survey, 2013, <http://www.deptofnumbers.com/income/arkansas/jonesboro/>

<sup>3</sup> See Footnote Number 2.

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4. Jonesboro median household income **is \$959 lower than the median Arkansas household income and \$12,698 less than the U.S. median** household income – indicating that Jonesboro’s residents are already economically disadvantaged, even without the sales tax increase, vs the State of Arkansas and the U.S.<sup>4</sup>
- As of January 1, 2015 the Tax Foundation reports that **Arkansas’ average** state and local **sales tax rates** (9.26%) **are second highest in America**, behind Tennessee (9.45%);<sup>5</sup>
- The net 0.50% proposed tax increase could give Arkansas the undesirable ‘distinction’ of becoming the state with the highest sales tax rates in America at 9.76%;<sup>6</sup>
- WalletHub indicates that **Arkansas’ total tax burden** as of January 1, 2015 **is 14% above the national average**;<sup>7</sup> Not surprisingly, increases taxes influence overall tax burdens significantly; that is especially true for sales taxes and property taxes.<sup>8</sup>
- Common sense tells you: **increased sales taxes hurt those most who can afford them least, the lower and middle income classes**, and Jonesboro’s senior citizens, who cannot avoid them;
- **Studies show that increasing sales taxes:**<sup>9</sup>

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<sup>4</sup> *See Footnote Number 2.*

<sup>5</sup> *State and Local Sales Tax Rates in 2015*, by Scott Drenkard and Jared Walczak, Tax Foundation, April 8, 2015, <http://taxfoundation.org/article/state-and-local-sales-tax-rates-2015>

<sup>6</sup> **9.26% + 0.50% = 9.76%**

<sup>7</sup> *2015’s Best and Worst States to be a Taxpayer*, by John S. Klernan, WalletHub, <http://wallethub.com/edu/best-worst-states-to-be-a-taxpayer/2416/#complete-rankings>

<sup>8</sup> *Top 10 Cities with the Highest Tax Rates*, by Thomas C. Frohlich and Alexander E.M. Hess, USA Today, 24/7 Wall Street, February 17, 2014, <http://www.usatoday.com/story/money/personalfinance/2014/02/16/top-10-cities-with-highest-tax-rates/5513981/>

<sup>9</sup> *Economic Effects of a Federal General Sales Tax*, by William J. Shultz, the Division of Tax Research, U.S. Treasury Department, September 17, 1942, <http://www.taxhistory.org/civilization/Documents/Sales/HST29008/hst29008.htm>

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1. **Reduce consumption** expenditures more and result in fewer personal savings than any other form of major revenue taxation;
  2. **Penalize spending;**
  3. **Disrupt economic patterns;**
  4. **Reduce retail sales;**
  5. **Reduce orders** placed with wholesalers and manufacturers; and,
  6. **Adversely affect the job market.**
- **Sales tax increases ripple throughout the economy**<sup>10</sup> – they're **taxes on top of taxes**.
    1. The concept is called "**loadage**;"
    2. Goods and services are taxed from origin to retail sale;
    3. **Sales taxes are compounded and pyramided** on each transaction throughout the course of production and distribution;
    4. Sales taxes, and **sales tax increases**, **increase the costs of goods and materials**,<sup>11</sup> and **are highly (100+% ) inflationary**.
  - Research indicates that **consumers can, and do, defer purchases and leave high tax areas to make purchases in low-tax areas** – competition and **common sense**.<sup>12</sup>
    1. Why pay \$1.10 for the same thing you can buy for \$1.07?
    2. I don't; our family doesn't; particularly if it's a discretionary purchase; we evaluate the economics and defer or avoid unnecessary purchases;
    3. **To deny that economic reality** and claim that increased sales taxes have no effect on the local economy **is absurd**.
  - **Additional (sales) taxes make it increasingly difficult for lower and middle class families to work their way into a more stable economic life.**
  - **Every dollar of increased sales taxes, dollar-for-dollar, comes right out of the lower and middle income classes'**:
    1. children's college funds,
    2. savings accounts,

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<sup>10</sup> See *Economic Effects of a Federal General Sales Tax*, by William J. Shultz, Footnote Number 9

<sup>11</sup> See *Economic Effects of a Federal General Sales Tax*, by William J. Shultz, Footnote Number 9

<sup>12</sup> *State and Local Sales Tax Rates in 2015*, by Scott Drenkard and Jared Walczak, Tax Foundation, April 8, 2015, <http://taxfoundation.org/article/state-and-local-sales-tax-rates-2015> Quote: "Differences in sales tax rates cause consumers to shop across borders or buy products online."

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3. retirement funds,
4. ability to pay for medical care, and/or their
5. ability to provide for their families.

Then **politicians wonder why lower and middle classes' economic positions are deteriorating.**

- During evaluation of the economic and fiscal effects of Obama's tax hikes, the Heritage Foundation's Center for Data Analysis Economists found the following **effects of increased (sales) taxes:**<sup>13</sup>
  1. **Slower economic growth** in the area affected by the tax increases;
  2. **Fewer jobs:** as a result of slower economic growth employment will fall;
  3. **Unemployment will increase;** for Jonesboro residents now unemployed, their **prospects for employment will worsen;**
  4. **Business investment will fall** to a level at or below the level it would be without the tax increases;
  5. **Personal savings will decrease** – because dollars that will be spent on the increased sales taxes will not be available for addition to citizens' savings accounts;
  6. **Investment in residences will fall** because citizens will no longer be able to afford homes, or larger homes;
  7. Total **individual disposable income will be lost** after subtracting the increased taxes, and the inflationary effects of such increases; and
  8. **Consumer spending will decrease;** politicians have lost sight of the fact that individuals are not like governmental entities with wasteful spending habits; they cannot demand and receive payment increases from their employers and, even if they were successful doing that, their increases would likely come nowhere near the 11.8% sales tax increase that has been proposed.
  9. In short, **the economic harm of an increase in Jonesboro's sales tax rates will be significant and widespread.** Individuals and households throughout the income

<sup>13</sup>

***Obama Tax Hikes: The Economic and Fiscal Effects***, by William W. Beach, Rea S. Hederman, Jr., John L. Ligon, Guinevere Nell, and Karen Campbell, Ph.D., The Heritage Foundation, September 20, 2010,  
<http://www.heritage.org/research/reports/2010/09/obama-tax-hikes-the-economic-and-fiscal-effects>

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distribution will bear the brunt of the economic slowdown, resulting in fewer employment opportunities, lower wages, lost consumption, and lower savings.

10. Jonesboro's City Council needs to understand that the additional city revenues increased sales taxes would generate will fall upon the backs of those citizens who support its economy. For Jonesboro's citizens the 'hit' is a real economic detriment, not some abstract, unquantified 'justification' that sounds great but has damaging effects.

- The comment has been made that “**even with the increase Jonesboro's sales tax rates would still be less than other major cities.**”
  1. Not only is that **exceedingly poor logic, what other cities do, or have done, is totally irrelevant** to the manner in which Jonesboro's city operations should be managed;
  2. Jonesboro residents do not live in Little Rock, Fort Smith, Fayetteville, Rogers or Springdale; **what other cities do or have done has no relevance whatsoever to what Jonesboro should do;**
  3. **Jonesboro doesn't have to make the same poor decisions** other major cities have made – indeed Jonesboro citizens expect their City Council to avoid those poor decisions;
  4. Just because other cities do something imprudent doesn't compel Jonesboro to do it;
  5. **Jonesboro should be setting good examples (by reducing taxes), not following bad ones (by increasing taxes);** and
  6. The defined **benefits** ('justification') **of the sales tax increase are speculative and economically un-quantified.**
  7. Where's the economic justification? If I had walked into the Board Room of the corporation I worked for during my career with 'justification' equivalent to that provided for Jonesboro's sales tax increase, it is highly likely that I would have been summarily kicked out and not invited back.
- The **American cities that have failed failed because high taxes** and crime **have driven families out of those cities.** *Their job bases cannot compete with lower cost areas.*<sup>14</sup>

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<sup>14</sup> *The Decline of Chicago; the City that Doesn't Work*, by Steve Bartin, New Geography, June 19, 2008, <http://www.newgeography.com/content/0040-the-decline-chicago-the-city-doesnt-work>

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- A **“recipe for a city’s failure”** includes the following:<sup>15</sup>
  1. Years of liberal governance;
  2. *High taxes*;
  3. *Sanctuaries for illegal immigrants*;
  4. High minimum wage rules;
  5. *Gun control laws* (that actually contribute to higher crime rates);
  6. *Regulations and paperwork* that make it onerous to open a business or develop individuals’ property;
  7. *Crony capitalism* with contracts going to political donors, friends and family members;
  8. Failing schools ruled by teachers unions;
  9. Little competition and *low productivity*;
  10. *Decline in family structure, increasing illegitimacy and single mother families* – a recipe for chaos;
  11. *Uncontrolled and/or wasteful spending*; (e.g., Agenda 21 projects that result in little or no real benefit to the city);
  12. Taxes required to pay retired city workers’ pensions when they don’t provide any services;
  13. *High debt* (through bond issues) which ultimately results in increased taxes; and
  14. An imprudent *government out of touch with reality*.
- **Jonesboro has some of the “recipe” components.** Common sense tells you that additional *high density housing requires additional transportation and infrastructure that will almost certainly result in higher taxes* – classic public-private partnership results. The question is: who are the ‘real’ benefactors? Mr. Chris Wessel’s article, “*Will Taxpayers Foot the Bill for Developers’ ‘Boulevard?’*”<sup>16</sup> addresses that issue.
- **Observation that requires clarification:**  $\frac{7}{8}$  of 1% will supposedly pay for street improvements and transportation infrastructure and increase revenue about \$14 Million each year. The math says \$12.25 Million will be spent on streets and transportation. However, Mark Nichols, city traffic engineer, said needed improvements would cost about \$180,000 (~1.5% of the \$12.25 Million stated street and transportation expenditures). That’s a big difference; what am I missing?

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<sup>15</sup> ***20 Cities that May Face Bankruptcy After Detroit***, by Stephen Moore, NewsMax, August 6, 2013, <http://www.newsmax.com/US/cities-bankruptcy-after-detroit/2013/08/06/id/519081/>

<sup>16</sup> ***Will Taxpayers Foot the Bill for Developers’ ‘Boulevard?’*** by Chris Wessel, The Jonesboro Sun, Page A4, August 19, 2015, <http://www.jonesborosun.com/archives/result.php?ID=92818&kw=Wessel>

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We have been retired since December 31, 1999. We moved to Jonesboro, AR in 2000. Jonesboro has grown since we moved here, but the growth has included a large percentage of 'non-contributors' who have placed, and are placing, increasing burdens upon Jonesboro's infrastructure. As a result *Jonesboro is becoming the type of city we sought to avoid when we moved here in 2000.*

Our only living child, our son and his family, live in another state. We have no ties in Jonesboro except for the friends we have made after we moved here. The tax burdens in the state where our son and his family reside are significantly lower than those in Arkansas and we have been considering moving there to be closer to our son and his family. That move would be an easy one for us to make. Sales tax increases such as the one now being proposed by Jonesboro's City Council, on top of one of the highest tax burdens in the entire U.S., makes that move look all the more economically attractive. Make no mistake, continually increasing taxes in Jonesboro can and will 'force' us to leave this city.

**Jonesboro cannot continue to increase city taxes and expect its residents not to do something to counter those increased costs**, particularly seniors such as ourselves. **We believe the vast majority of Jonesboro's citizens feel the same way we do**, not only about our U.S. government but Jonesboro's government as well, i.e., **we're headed in, Jonesboro is headed in, the wrong direction – a direction which must be reversed.**

Respectfully submitted,  
Tom Reeves  
Jonesboro, AR 72404  
(870) 935-1703