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# PLATTE CHAT

## Putting More Holes Into a Sinking Ship: Omaha's New Taxes

By Rubria Jessica Hintz  
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Last month, Omaha's city council voted to impose new taxes not only on those living in Omaha, but also on those who work and visit the city. In addition to a 2.5% (after tax) tax on dining, bar, and catering tabs and a 2.335 cent increase in the property tax rate, there will also be a \$15 increase in wheel tax and a new \$50 wheel tax for those who work in Omaha but live outside the city<sup>1</sup>[1]. This seems to completely contradict previously stated objectives from the city's leadership. Major Jim Suttle has said that we need to attract more businesses and tourism to the state<sup>1</sup>[2]. The College World Series and the Qwest Center's conventions and entertainment events seemingly should help Omaha accomplish those goals; especially with the additional four new hotels to accommodate our guests: Holiday Inn, Homewood Suites, Hampton Inn & Suites, and Element. Unfortunately, these new taxes could be a step backwards.

Omaha is known as having the most restaurants per capita in the United States with over 5,000 restaurant and bars in the area.<sup>1</sup>[3] If each restaurant employs only two servers (a low estimate), that's a total of 10,000 workers. If the servers each have \$2,500 in

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## Contact Us

If you would like to contact someone at the Platte Institute, you are always welcome to give us a call, drop us an email or stop by the office. Our telephone number is 402.452.3737. We are located at 10050 Regency Circle – Suite 120 – in Omaha. Below is a list of staff email address:

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sales every week and take home 20% (the standard, although not everyone tips the standard) of their sales in tips, they would make \$500\* a week apiece. This works out to annual earnings of \$26,000. With the new 2.5% tax added on top of each tab, an after tax \$100 tab would become \$102.50. That \$2.50 has to come from somewhere and unfortunately the most likely place is from the tip. For servers, this would take away \$62.50 from their weekly tips leaving them with \$437.50; this adds up to \$3,250 less a year. Whether you look at it as less income to feed their family, see a movie, go out to dinner, or to see a concert, that is \$3,250 less that could be spent by citizens to help boost the city's economy. That amount multiplied by the at least 10,000 people working as servers is \$32,500,000 fewer dollars put in to the city and state economies that will instead go directly to the city's general funds.

The city's extra tax receipts will disrupt the supply and demand that drives the economy. It could further disrupt it if people decide to discontinue going out to restaurants and bars in Omaha; there are many similar restaurant options just beyond the city limits without that 2.5% tax. People hosting big catering events could hire a caterer who is located outside the city to avoid paying tax; this could force catering companies to move to locations outside the city limits or even shut down. The City of Omaha really does not need anything else bogging down the already struggling economy.

Many people who work in Omaha live outside the city limits or in Iowa and the new \$50 wheel tax is targeted at them because they use our roads. These folks have tacitly agreed to pay income taxes in both states, but they may decide to work and play outside Omaha city limits to avoid paying the additional new taxes. Even if Omaha does use some of the money generated by the restaurant tax to advertise and help draw people into the city, the tax will still have a negative overall impact<sup>1[4]</sup>.

Remember all those people Omaha wants to attract? If the city wants more businesses, it needs to create more jobs to attract more people. With the proposed 2.335 cent increase in property tax to 49.922 cents per \$100 of assessed valuation, people may think twice about moving into the city.<sup>1[5]</sup> Instead, they may

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decide that the \$50 wheel tax they have to pay while living outside of the city is a smaller expense.

CITY	PROPERTY TAXES LEVIED in 2009	POPULATION	AVG PER PERSON
La Vista	\$5,334,152.43	16887	\$315.87
Bellevue	\$14,946,292.04	51044	\$292.81
<b>Omaha</b>	<b>\$129,127,747.40</b>	<b>454731</b>	<b>\$283.97</b>
Papillion	\$5,277,373.15	24280	\$217.35
Lincoln	\$48,380,959.07	254001	\$190.48
Gretna	\$1,263,572.24	6736	\$187.58
Fremont	\$4,531,264.89	25007	\$181.19

\* These numbers were found by taking property taxes levied divided by the city population.

In 2009, Omaha collected \$283.97 per person in property taxes when the rate was 0.47587. With some surrounding cities having lower property taxes, it makes one wonder why a person living in Omaha needs to pay almost \$100 more in property taxes than a person in Gretna for basic city services? The budget cuts have not been released, but there probably was room for additional cuts. Mayor Suttle had the option to veto the new taxes, but he announced in a new release Friday that he would be accepting all the changes passed for the 2011 budget<sup>1[6]</sup>.

\*These numbers are just estimates. Servers tips may fluctuate due to hours and shifts worked. In addition, most do not keep all their tips and must give a portion of them to bartenders, bussers, food runners, food expeditors, and hosts.

<sup>1[1]</sup> O'Brien, Maggie. "Council agrees on new cuts, new taxes." Omaha World Herald 25 August 2010: 1-2.

<sup>1[2]</sup> "Mayor Jim Suttle's 2011 Budget Presentation." 20 July 2010. City of Omaha. August 2010

<<http://www.cityofomaha.org/images/stories/2011%20Budget%20Speech%20Final.pdf>>.

[1\[3\]](#) Travel Channel. "Destination: Omaha." Travel Channel. August 2010

<[http://www.travelchannel.com/Places\\_Trips/Destinations/North\\_America/United\\_States/Nebraska/Omaha](http://www.travelchannel.com/Places_Trips/Destinations/North_America/United_States/Nebraska/Omaha)>.

[1\[4\]](#) "City of Omaha 2011 Budget Proposal Media Briefing Book." 2010. [City of Omaha Web site](#). August 2010 <<http://www.cityofomaha.org/mayor/images/wordpress/uploads/2010/07/city-of-omaha-2011-budget-proposal-media-briefing-book-7192010.pdf>>.

[1\[5\]](#) O'Brien, Maggie. "Council agrees on new cuts, new taxes." [Omaha World Herald](#) 25 August 2010: 1-2.

[1\[6\]](#) "Suttle: No Vetoes For Council Budget Changes." 27 August 2010. [WOWT](#). August 2010 <<http://www.wowt.com>>.

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