City of Joplin

City Council Agenda Item

REQUESTED COUNCIL MEETING DATE: MAY 2, 2016

ITEM: COUNCIL BILL NO. 2016-007

ORIGINATING DEPARTMENT: FINANCE DEPARTMENT

Finance Director: Leslie Haase
City Attorney: Peter Edwards
City Manager: Sam Anselm

INTRODUCTION:

This Council Bill authorizes submitting the continuation of sales tax collections by the City on titled property purchased out-of-state to the electors of the City of Joplin on August 2, 2016.

DISCUSSION:

Municipalities have until November of 2016 to receive voter approval to continue to impose the local sales tax on titled property purchased by our residents from out-of-state vendors. Prior to the Missouri Supreme Court ruling, *Craig A. Street vs. Director of Revenue,* local governments collected sales taxes on purchases of titled property, such as motor vehicles, boats and trailers based on the physical address of the person purchasing the item, even if the purchase was made out-of-state. Therefore, residents paid local sales tax on ***all*** vehicles and titled property bought when the vehicle was licensed, no matter where it was purchased.

In January of 2012, the Missouri Supreme Court ruled that sales taxes can't be collected by local governments on out-of-state purchases of titled property, unless a local use tax had been imposed. The court ruling eliminated local sales taxes on vehicles purchased out-of-state or from an individual. Local sales taxes would still be applicable on any purchases of titled property bought in the State of Missouri, based on the physical address of the person purchasing the item.

Following the court ruling, the legislature passed a temporary fix to this issue. As a result of the temporary fix, local jurisdictions are still collecting sales tax on titled property purchased out-of-state. However, in order for the collections to continue, the local governments must receive voter approval to continue a **sales tax** on titled property by November of 2016. The Missouri Department of Revenue estimated the impact of the lost sales tax to each jurisdiction from 2011 sales. They estimated that Joplin would lose approximately $431,600 in sales tax collections annually due to the change. This estimate is based on 21% of vehicle and marine sales occurring from out-of-state purchases. However, this number could be higher or lower, depending on the actual out-of-state purchases of titled property by Joplin residents. There were two quarters in 2013 that the court ruling was in effect prior to the temporary fix being implemented at the state

level. During this time period, the sales tax collections for this category decreased by 21.5%.

Due to Joplin's proximity to three neighboring states, this change could have a devastating impact on our local government, as well as local businesses. Local businesses could lose business as Joplin residents cross state lines to make these large-ticket purchases to save tax dollars. Local government could lose sales tax revenue, which could impact services provided to citizens, such as police & fire protection, street maintenance and parks services.

If cities and counties do not receive voter approval to continue the sales tax on titled property purchased out-of-state by November of 2016, cities and counties will not have another opportunity to recapture this lost revenue without legislative intervention.

Council appointed a sales/use tax citizen's committee to discuss, evaluate and make a recommendation about this issue. The committee met on April 7th and again on April 14th. After much discussion, the committee felt the importance of retaining current revenue and the impending deadline warranted recommending to the City Council the placement of one ballot question to continue the sales tax on titled property purchased out-of-state before the voters on August 2, 2016.

If the sales tax is continued by the voters, the effective date will by January 1, 2017. If the continuation of the sales tax would be turned down by the voters and a successful election is not held by November of 2016, the City will stop collecting the sales tax effective March 1, 2017. If council places this question before the voters in August, the committee will work on assisting with the public education process.

RECOMMENDATION:

City Staff recommends this Council Bill be approved on an emergency basis.