City of Joplin City Council Agenda Item

REQUESTED COUNCIL MEETING DATE: MAY 21, 2018

ITEM: COUNCIL BILL NO. 2018-508
ORIGINATING DEPARTMENT: FINANCE DEPARTMENT

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

INTRODUCTION:

This Council Bill approves placing a use tax on tangible personal property on the ballot on August 7, 2018.

DISCUSSION:

Following a Missouri Supreme Court ruling, *Craig A. Street vs. Director of Revenue,* local governments faced an issue in collecting sales taxes on purchases of titled property bought out-of-state. Prior to the ruling, people in Missouri paid local sales taxes on titled property purchases based on their physical residence rather than based on where they bought it. However under this ruling, courts indicated that in order to collect local taxes on titled property, the voters must authorize a titled property "use/sales" tax. After forming a citizen's task force to explore the options and help educate the public, our voters approved this tax in August of 2016.

However, the City doesn't currently have a local use tax in place that captures the local taxes on certain other purchases made out-of-state and brought into Joplin for use. A sales tax is imposed based on the ***location of the seller***, while a use tax applies to purchases made out-of-state and brought back ***for use*** in Missouri. Nearly half of all Missouri cities with populations of 2,000 or more already have a "use" tax in place. Here are some of the reasons a use tax is important:

- Levels the playing field between hometown merchants and out-of-state sellers
- Helps retain local businesses, in turn keeping local jobs in the area
- Preserves local economy
- Local use tax replaces the local sales tax that has been currently charged in these cases

The City of Joplin, along with Jasper County, Carl Junction, Webb City and Carthage put the use tax question to the voters in November of 2013. At that time, the effort failed in our local region, as well as across the state. Many communities have been addressing this issue over the last year or so, with a much higher success rate. This issue has become a priority for local governments as the prevalence of different purchasing methods has increased for consumers.

In February, Council formed a citizen's task force committee to explore placing the use tax in front of the Joplin voters. The task force met several times during February, March and April to discuss the issue. The committee presented three recommendations to the Council at a

work session in April as follows:

- Committee voted unanimously to recommend placing the use tax question before the voters in August
- Committee unanimously recommended no sunset provision for the use tax
- Committee voted unanimously to recommend to use proceeds from use tax in exact same manner as the 5 existing sales taxes (1% general, ½% general for public safety purposes, ½% transportation, ¼% parks/stormwater, 3/8% capital improvements)

The ordinance reflects the recommendation of the committee as discussed with the council at the recent work session.

RECOMMENDATION:
Staff recommends approval of this Council Bill on an emergency basis.