

JOPLIN CITY COUNCIL WORKSESSION
JOPLIN CITY HALL
5th FLOOR COUNCIL CHAMBERS
602 S. MAIN
JOPLIN MISSOURI
APRIL 23, 2018 5:45 P.M.

Notice is hereby given that the City Council of the City of Joplin, Missouri, will hold a work session beginning at 5:45 p.m. on Monday April 23, 2018, in the 5th Floor Council Chambers, 602 S. Main Street to discuss the following topics:

AGENDA

1. Use Tax Task Force Presentation
2. Discussion of the Lodging Tax
3. Any other business

Barbara J. Gollhofer
City Clerk for Mayor Gary L. Shaw

If you are in need of disability related auxiliary aids or services, contact the City Clerk's Office at (417) 624-0820 ext. 220. Forty-eight hours' notice is requested.

Notice posted at 1:00 p.m. on this 18th day of April 2018. (RSMo 610.020)

CITY OF JOPLIN



USE TAX DISCUSSION

*WORK SESSION OF THE JOPLIN CITY
COUNCIL*

APRIL 23, 2018

USE TAX DISCUSSION



Background Information

- In February, Council appointed the following members to a citizen's task force committee to review placing the use tax before the Joplin voters:
 - ❖ Brent Baker, Erik Bartlett, Rick Brown, Doug Doll, Amber Duncan, Joan Ghani, Lori Haun, Brad Hodson, Jerrod Hogan, Vonita Kelly, Drew Kimble, Harold McCoy, Howie Nunnely, Dustin Parker, James Richards, Richard Russell, Rodney Spriggs
 - ❖ Committee elected Erik Bartlett, Joan Ghani, and Rodney Spriggs as Co-Chairs

USE TAX DISCUSSION



History of the Local Use Tax

- Imposed in 1992 to protect local merchants from local businesses purchasing outside the state to evade sales tax
- Tax was targeted at large companies who might purchase 200 computers from an out-of-state vendor
- \$2,000 exclusion was enacted to protect individuals that occasionally shopped from catalogs

USE TAX DISCUSSION



USE TAX

VS.

SALES TAX

- Use Tax applies to purchases made out-of-state and brought here for use
- Imposed on the storage, use or consumption of tangible personal property in Missouri
- Doesn't apply if purchase is subject to sales tax
- Use tax is assessed based on first use in city, or ***ship to location***

- Sales Tax requires a sale at retail in Missouri
- Imposed on retail sale of tangible personal property and taxable services
- Sales tax is charged based on ***location of the seller***

USE TAX DISCUSSION



Use Tax Information

- Can't require out-of-state companies that don't have a "nexus" or presence to collect and remit use tax
- If an out-of-state seller doesn't collect use tax, the purchaser is responsible for remitting the tax
- Purchasers are excluded (not an exemption) from reporting tax on out-of-state purchases until cumulative purchases equal \$2,000 in a calendar year
- If \$2,000 threshold on out-of-state purchases is met, all purchases must be reported

USE TAX DISCUSSION



Use Tax Information (continued)

- State of Missouri currently has a use tax in place of 4.225%, which already applies to businesses and residents
- Over half of all Missouri cities with populations over 2,000 have a use tax in place
- Over 105 Missouri cities have a use tax
- Over 56 Missouri counties have a use tax

USE TAX DISCUSSION



Use Tax Information (continued)

- Use tax rate must mirror a city's sales tax rate, currently 2.625% in Joplin
- In February of 2017, Amazon began collecting and remitting use tax in Missouri and in cities with a use tax in place

USE TAX DISCUSSION



Why is a Use Tax Important to our Community?

- Levels the playing field between hometown merchants and out-of-state sellers
- Helps retain local businesses, in turn keeping local jobs in our community
- Preserves local economy

USE TAX DISCUSSION



Why is a Use Tax Important to our Community? (continued)

- Helps to ensure local retailers and merchants are treated equally with all others
- Helps to ensure the support of local businesses for the entire community, instead of the dollars flowing out of the region
- Not new “tax” in traditional terms, instead a more efficient method of collecting sales tax owed to state and local governments

USE TAX DISCUSSION



Why is a Use Tax Important to our Community? (continued)

- Local use tax replaces the local sales tax lost through out-of-state purchases
- Helps to ensure local area governments have the resources to continue to provide same level of services to citizens such as police & fire protection, streets, parks, etc.
- Removes pressure to raise local sales taxes to make up for the tax revenue lost to other states

USE TAX DISCUSSION



Sales Tax Example

- Company Z walks in to make a \$5,000 purchase from a local Joplin retailer and pays \$131.25 in City sales tax

Use Tax Example

No Use Tax in place:

- Company Z makes a \$5,000 purchase, shipped to Joplin, from an out-of-state vendor
- Company Z pays \$0 City use tax

Use Tax in place:

- Company Z makes a \$5,000 purchase, shipped to Joplin, from an out-of-state vendor
- Company Z pays \$131.25 in City use tax

USE TAX DISCUSSION



What are common Use Tax Transactions?

- Construction Contractors
- Businesses purchasing supplies and taxable equipment from out-of-state
- Internet and mail order purchases from non-Missouri sellers

USE TAX DISCUSSION



Some cities that currently have a Use Tax

- Carterville, Duquesne, Gladstone, Hazelwood, Kansas City, Kirksville, Kirkwood, Mount Vernon, Pineville, Sedalia, Springfield, St. Joseph, St. Louis, Warrensburg, Webb City

USE TAX DISCUSSION



What are the estimated Use Tax collections for Joplin?

- *\$1,013,280

*Based off 2015 state collections

What are the estimated Use Tax collections from Amazon for Joplin?

- \$178,257

- It is anticipated these numbers will increase over time as internet purchases continue to grow

USE TAX DISCUSSION



Committee Recommendations

- Committee offers 3 recommendations to Council tonight

Recommendation #1:

- ❖ Committee voted unanimously to recommend to City Council to place the use tax question before Joplin voters in August of 2018

USE TAX DISCUSSION



Committee Recommendations (continued)

Recommendation #2:

- ❖ Committee unanimously recommended no sunset for this tax for the following reasons:

- ❖ Nature and Purpose of tax
- ❖ Cost of renewing tax

USE TAX DISCUSSION



Committee Recommendations (continued)

Recommendation #3:

- ❖ Committee voted unanimously to recommend to Council to use proceeds from the tax, if passed, in exact manner as the existing 5 sales taxes (1% General, 1/2% General for Public Safety Purposes, 1/2 % Transportation, 1/4% Parks/Stormwater, 3/8% Capital Improvements) for following reasons:
 - ❖ Use tax replacing lost sales tax
 - ❖ Unable to project future collection rates of sales tax vs. use tax

USE TAX DISCUSSION



What's Next?

- If Council approves the recommendation, Citizen's Use Tax Committee will begin education process
 - ❖ Prepare Education Documents
 - ❖ Determine Education Process and Timeline
- Committee will seek Chamber's assistance in advocacy process
- Formal Ordinance with ballot language will come before Council at second meeting in May

USE TAX DISCUSSION



Possible Ballot Language

- “In an attempt to eliminate the unfair advantage enjoyed by out-of-state vendors over local vendors, and to have the tax monies already collected by the state on these out-of-state vendors be provided to the City of Joplin at no additional cost or tax to the residents of Joplin, shall the City of Joplin impose a local use tax at the same rate as the total local sales tax rate, currently two and five eighths percent ($2\frac{5}{8}\%$), provided that if any local sales tax is repealed, reduced, or raised by voter approval, the local use tax rate shall also be repealed, reduced, or raised by the same action? A use tax return shall not be required to be filed by persons whose purchases from out-of-state vendors do not in total exceed two thousand dollars in any calendar year.”

USE TAX DISCUSSION



QUESTIONS?