

**CITY OF JOPLIN
COUNCIL AGENDA ITEM**

ITEM

Council Bill 2021-513 – Authorizing submitting a Local Use Tax to the voters of the City of Joplin on November 2, 2021

MEETING DATE

May 17, 2021

ORIGINATING DEPT

Finance

ATTACHMENTS

CB 2021-513 Ordinance

REVIEWED BY

Department Head: Leslie Haase; City Attorney: Peter Edwards; City Manager: Nick Edwards

SUMMARY

This Council Bill authorizes submitting a Local Use Tax to the voters of the City of Joplin on November 2, 2021 called Proposition “Action”.

BACKGROUND

The City Council adopted a vision and goals to help improve the community. The goals are:

- Improve Community Appearance
- Address Declining Neighborhoods
- Enhance Economic Development
- Reduce Crime & Improve Safety
- Address Homelessness
- Create Resilient Revenue

Action Plans have been developed and approved to implement these council goals. However, in order to improve the community and meet the Council goals through the Action Plans, additional resources are required. The use tax will be used to implement the Action Plans to address these overall goals.

The City of Joplin has various sales taxes which are to be used for certain purposes that total 3 1/8%. Over the last several years through the growth of online retail, sales tax collections have been eroded by online purchases that aren't subject to the sales tax. A use tax applies to purchases made from out-of-state vendors that are shipped to Joplin. But, the City doesn't currently have a use tax in place to protect against the erosion of the primary revenue source used by the City to provide services to the community and its' citizens.

Local brick and mortar stores located within Joplin collect the applicable sales tax, but without the use tax in place, out-of-state vendors aren't collecting the same tax, which creates an unfair competitive advantage to businesses that aren't supporting the local economy by providing jobs. Furthermore, the collection of sales taxes by local merchants creates the resources needed to provide services such as police and fire protection, streets and parks, which is what helps to make any community a vibrant, thriving and desirable place to live, work and play.

In June of 2018, the United States Supreme Court recognized the inconsistency and unfairness created by online retail and ruled in *South Dakota vs. Wayfair*, reversing a previous ruling that required out-of-state vendors to have a physical presence in the state in order to collect a sales or use tax on purchases. Even with this ruling, though, the voters of Joplin must vote on and approve the use tax for it to be applicable in Joplin.

A local use tax must match the current sales tax rate of 3 1/8%. If the City's sales tax rate changes in the future, the use tax rate would also change in order for the two rates to always match. It is unknown exactly how much the use tax will generate annually. However, other cities across Missouri are averaging use tax collections of 9.5% of the sales tax collections. Furthermore, the use tax has grown about 1% each year over the last three years for those same cities. Based on this information, it is anticipated the use tax will generate between \$3 million and \$4 million annually.

The use tax is needed to implement the Action Plans to improve the community, as well as ensure the local merchants do not remain at a disadvantage compared to out-of-state vendors.

FUNDING SOURCE

This item is not applicable for this ordinance.

RECOMMENDATION

Staff recommends approval of this council bill on an emergency basis.