

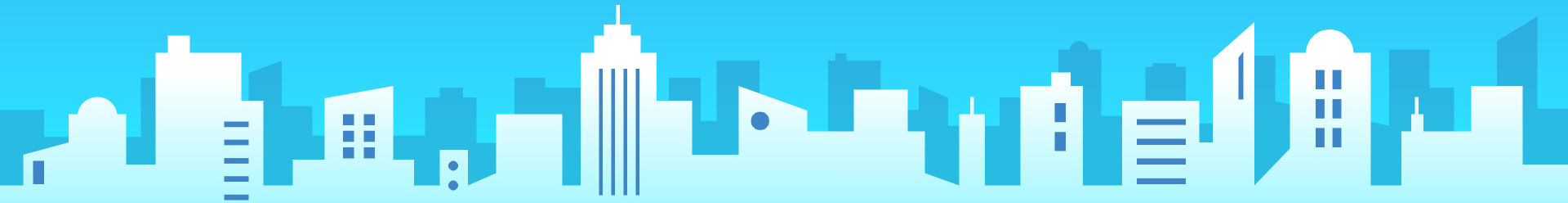
# Use Tax

## April 2, 2019



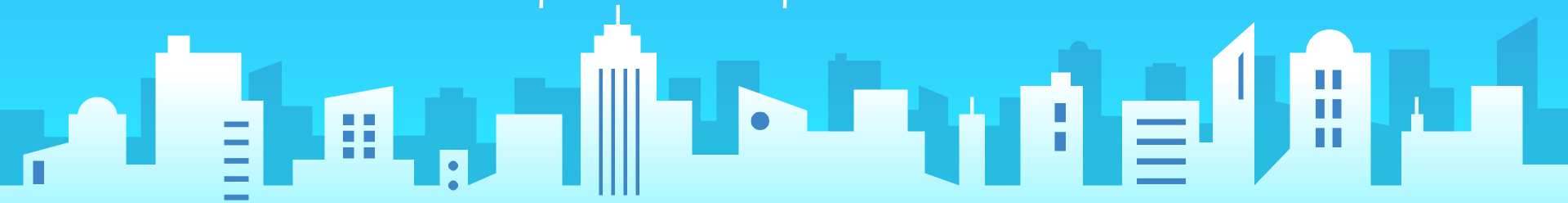
# E-Commerce/Internet Sales Tax

- 11% of all retail sales now occur online
- \$2.3 trillion in 2017 to \$4.8 trillion in 2021
- Amazon is 49% of all US e-commerce
- No universal Internet Sales Tax
- Brick and mortar vs. online stores
- Generational impacts



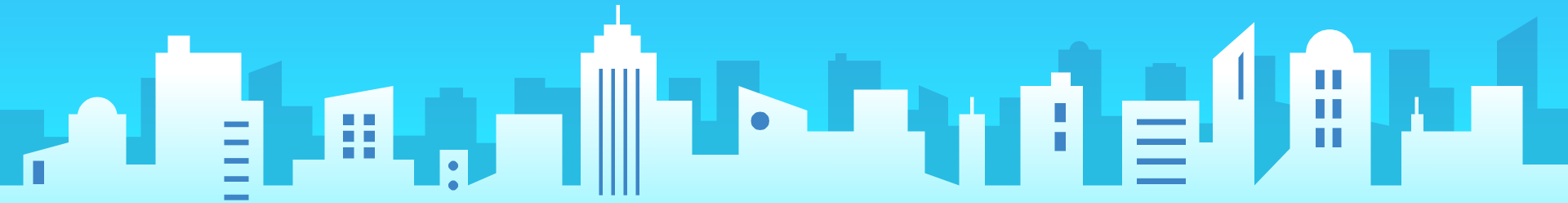
# Maryville Impact

- 2.375% local sales tax
  - General Fund, Capital Improvements, Mozingo, MPR
- DOR 2016 Estimates
  - \$10,346,787 in sales to online out-of-state vendors
  - \$245,736 in lost sales tax revenue
    - Equivalent of 6 JCPenney's
    - 27 city blocks of sidewalks, 2 miles of streets
    - Personnel expenses for 5 police officers



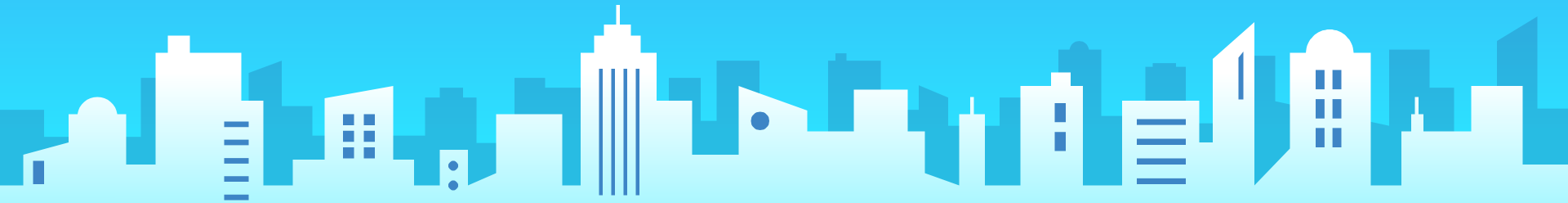
# Universal Internet Sales Tax

- 1. Federal Action
  - Marketplace Fairness Act
  - Streamlined Sales Tax
  - *Wayfair vs. South Dakota*
- 2. Missouri Legislative Action
  - Governor Parson
- 3. Local Use Tax



# What is a Use Tax?

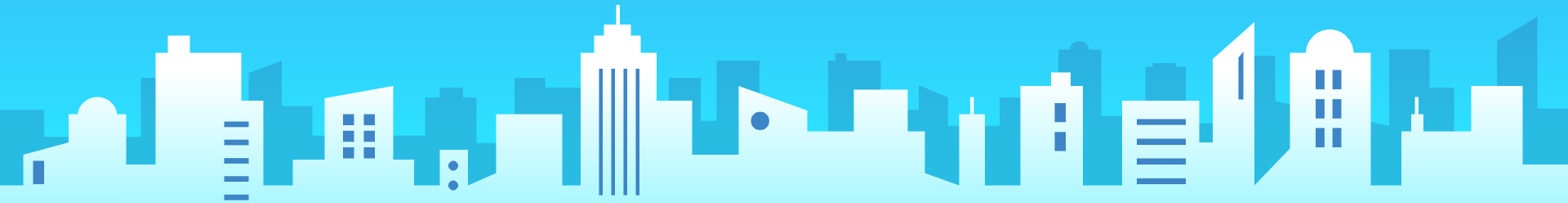
- Use tax applies the sales tax to purchases of goods by Missouri residents and businesses from out-of-state vendors
- Includes online, catalog, direct market sales
- Applies to out-of-state purchases where no sales tax is charged
- Does not apply if purchase is from Missouri retailer and subject to Missouri sales tax





# Sales Tax & Use Tax

- Use tax is always same rate as sales tax (*automatic*)
- Not a “double tax” – One or the other
- Items exempt from sales tax are also exempt from use tax
- Nodaway County & Missouri already have use tax
- Revenues applied to existing voter approved initiatives



**LOCAL STORES**



# USE TAX MEANS

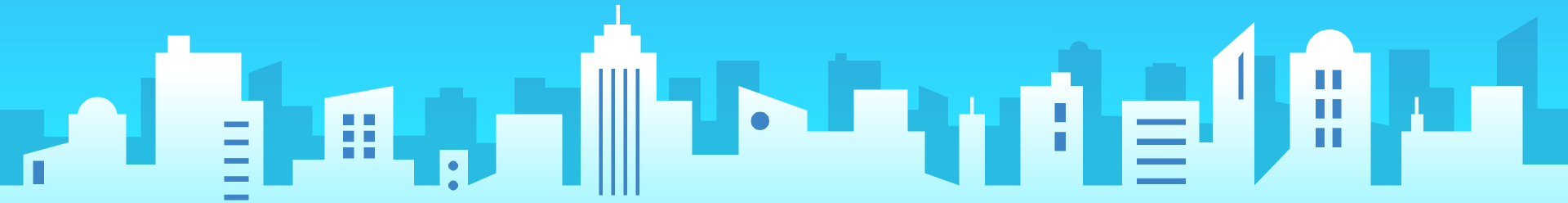
- SAME TAX RATE
- NO DOUBLE TAX

**OUT-OF-STATE VENDORS**



# Use Tax Regulations

- State law dictates which vendors are required to collect
- Vendors must have nexus (substantial physical presence) in Missouri
  - *South Dakota v. Wayfair*
- Goods purchased from vendors outside Missouri
- Amazon (Hazelwood & St. Peters)





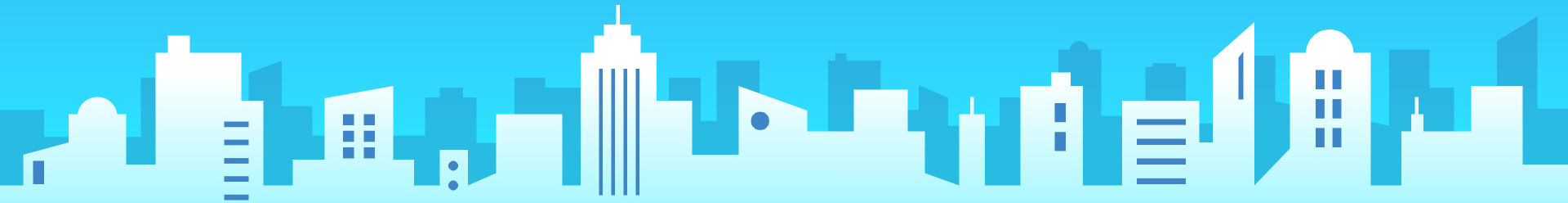
# Purchaser Regulations

- Purchases made from vendors who do not collect but should
  - Purchaser is to self-report to State of Missouri at tax filing
  - Cumulative purchases exceeding \$2,000
  - Honor system
  - No penalty (Department of Revenue)



# ***Business Impact***

- Use tax does not apply to items for resale
- Does not apply to purchases from Missouri retailer
- Eliminates any discount for buying online from out of state

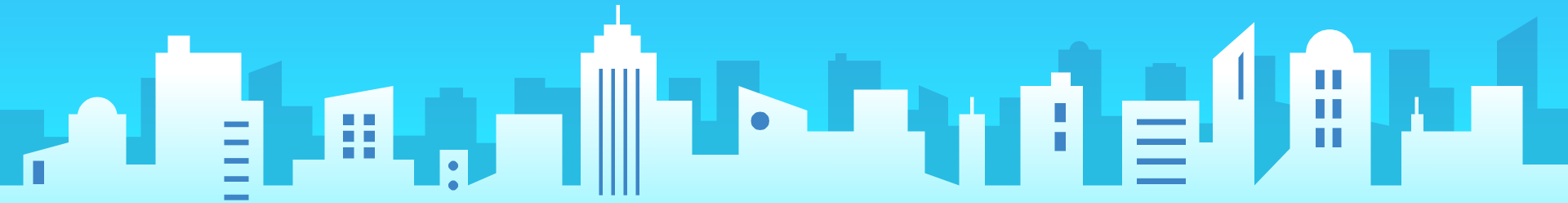


# Sales Tax on Motor Vehicles

- City collects local sales tax on titling of motor vehicles, trailers, boats, outboard motors purchased from other source than Missouri dealer
- DOR estimate of \$45,000 annually from out-of-state purchases
- *Street v. Director of Revenue* – HB184/SB 182 – Cities without use tax must receive voter approval to continue collection
- Cities must obtain voter approval by \_\_\_\_\_ to keep existing revenue
- Use tax approval maintains this revenue, not new revenue

# Technology Impacts

- Uber
- Air B&B
- Landline Telephones
- Autonomous cars
- Medical marijuana
- Online sales



# Ballot Language

- Tuesday, April 2, 2019
- “Shall the City of Maryville impose a local use tax at the same rate as the total sales tax rate, currently 2.375%, provided that if the local sales tax rate is reduced or raised by voter approval, the local use tax rate shall also be 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.”

# Questions?

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