



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: City Manager

To: City Council

From: City Manager & Staff

Council Meeting Date: May 2, 2016

Re: August Ballot to continue the collection of local sales tax on out-of-state sales of motor vehicles and marine equipment.

## Executive Summary

Voter approval is required by November 2016 to continue the collection of local sales tax on out-of-state sales of motor vehicles, trailers, boats and outboard motors.

## Discussion

On Jan. 31, 2012, the Missouri Supreme Court ruled in *Street vs. Director of Revenue*, 361 S.W.3d 355, that only cities with a use tax could collect local sales tax on purchases from out of state (as well as person-to-person sales). Purchases from Missouri auto dealers were still subject to the local sales tax. The Missouri Department of Revenue estimated that approximately 20 percent of vehicle (and trailers, boats and outboard motors) sales occur from out-of-state vendors or person-to-person sales and this would result of a loss in revenue to local jurisdictions of approximately \$20.5 million. For Columbia, that equates to over \$500,000 annually.

In 2013, the Legislature passed SB 182. This legislation re-imposed the local sales tax on vehicle sales (and person-to-person sales) in the form of an administrative fee. The legislation requires that cities that did not have a use tax in place prior to August of 2013 (Columbia does not) must receive voter approval to continue this administrative fee by November of 2016. Cities that don't gain voter approval to continue the tax by November of 2016 will lose the revenue stream after that date. HB2140 has been passed by the Missouri House and Senate and is currently awaiting action by the Governor. Passage of the measure will only delay the preemptive date by two additional years.

More than 110 municipalities successfully passed the tax continuation at the recent April 2016 election. Passage of this ordinance would put the question of continuing the local sales tax collected on out-of-state sales of motor vehicles on the August 2<sup>nd</sup> ballot.

## Fiscal Impact

Loss of approximately \$500,000 - \$600,000 in annual revenue to the City of Columbia. See attached report on Local Sales Tax on Vehicle and Marine Sales compiled by the Missouri Municipal League



## Vision & Strategic Plan Impact

### Vision Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

### Strategic Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

### Comprehensive Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not applicable, Tertiary Impact: Not Applicable

## Legislative History

None.

## Suggested Council Action

Approval of the Ordinance placing the question of whether to continue the local sales tax collected on out-of-state sales of motor vehicles on the August 2, 2016 ballot.