



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: City Manager

To: City Council

From: City Manager & Staff

Council Meeting Date: December 20, 2021

Re: Proposed Use Tax for April 2022 Ballot

## Executive Summary

Voter approval is required to enact a local use tax on purchases from vendors located outside of the city limits.

## Discussion

Staff has prepared an ordinance to ask voters to approve the imposition of a use tax on purchases made outside of city limits of taxable items that will be used, stored, or consumed in the City of Columbia and on which no local tax was collected on the purchase. The City of Columbia use tax rate on purchases made outside of city limits would be at the same rate as the total local sales tax rate, currently two percent (2%), provided that if the local sales tax rate is reduced or raised by voter approval, the local use tax rate is also reduced or raised by the same action. A purchase is never subject to both a use tax and a sales tax.

The purpose of the use tax is to protect Columbia businesses from unfair competition with vendors located outside of the city limits that are not required to collect local taxes. For example, under the current system if a person residing in Columbia purchases an item at a retail store located in Columbia the person pays a state and local sales tax on the purchase price. If the same person purchased the same item from a vendor located outside of the city limits or an internet-based vendor, that vendor is not required to collect and remit the same local sales tax. Therefore, vendors located outside of the city limits and internet-based vendors are at a competitive advantage compared to Columbia vendors because they do not have to charge the local sales tax. A use tax would ensure that purchases from vendors vendor located outside of the city limits are subject to the same local tax rates as those purchases made from Columbia vendors.

A use tax would help to insure that all of the City's residents help fund local programs and services, regardless of where they make their purchases.

## Fiscal Impact

Short-Term Impact: Staff estimates a use tax would produce revenue equivalent to 9% of sales tax revenue



## Strategic & Comprehensive Plan Impact

### Strategic Plan Impacts:

Primary Impact: Resilient Economy, Secondary Impact: Organizational Excellence, Tertiary Impact: Not Applicable

### Comprehensive Plan Impacts:

Primary Impact: Livable & Sustainable Communities, Secondary Impact: Not applicable, Tertiary Impact: Not Applicable

## Legislative History

Date	Action
11/07/17	B217-17 Calling a special election, to be held on November 7, 2017, on the question whether to impose a local use tax.
11/07/17	R162-17 Declaring the results of the special election held on November 7, 2017 to impose a local use tax on out-of-state purchases.

## Suggested Council Action

Approval of the Ordinance placing the question of whether to enact a local use tax on out-of-state purchases on the April, 2022 ballot.