



**CITY OF ASHLAND
109 EAST BROADWAY
ASHLAND, MISSOURI 65010
BOARD OF ALDERMEN SPECIAL MEETING AGENDA
AUGUST 28, 2017 AT 6:00 P.M.**

Call special meeting to order

Roll Call

COUNCIL BILLS

1. Council Bill No. 2017-033, an ordinance imposing a Local Use Tax for the General Fund purposes at the rate of two percent (2%) pursuant to the authority granted by and subject to the provisions of Sections 144.600 through 144.761 RSMo; Providing for the use tax to be repealed, reduced or raised in the same amount as any city sales tax is repealed, reduced or raised; and providing for submission of the proposal to the qualified voters of the City for their approval at the Special election called and to be held in Ashland, Missouri on Tuesday, November 7, 2017. **Action:** _____

ORDINANCES

2. Ordinance No. 1134, an ordinance imposing a Local Use Tax for the General Fund purposes at the rate of two percent (2%) pursuant to the authority granted by and subject to the provisions of Sections 144.600 through 144.761 RSMO; Providing for the use tax to be repealed, reduced or raised in the same amount as any city sales tax is repealed, reduced or raised; and providing for submission of the proposal to the qualified voters of the City for their approval at the Special election called and to be held in Ashland, Missouri on Tuesday, November 7, 2017. **Action:** _____

Vote to adjourn the meeting

The City of Ashland wants to make certain our meeting is accessible to all citizens. If you require any accommodations (signing, interpreter, translator, etc.) that we do not normally have at our meetings, please let Darla Sapp, City Clerk know of your needs. (If possible 48 hours in advance of the meeting)

Posted: 8-25-17
Time:

City Hall and website: www.ashlandmo.us

AN ORDINANCE IMPOSING A USE TAX FOR GENERAL REVENUE PURPOSES AT THE RATE OF TWO PERCENT (2%) PURSUANT TO THE AUTHORITY GRANTED BY AND SUBJECT TO THE PROVISIONS OF SECTIONS 144.600 THROUGH 144.761 RSMO; PROVIDING FOR THE USE TAX TO BE REPEALED, REDUCED OR RAISED IN THE SAME AMOUNT AS ANY CITY SALES TAX IS REPEALED, REDUCED OR RAISED; AND PROVIDING FOR SUBMISSION OF THE PROPOSAL TO THE QUALIFIED VOTERS OF THE CITY FOR THEIR APPROVAL AT THE SPECIAL ELECTION CALLED AND TO BE HELD IN THE CITY ON TUESDAY, NOVEMBER 7, 2017.

WHEREAS, the City has imposed total local sales taxes, as defined in Section 32.085 RSMo, at the rate of two percent (2%); and

WHEREAS, the City is authorized under Section 144.757 RSMo, to impose a local use tax at a rate equal to the rate of the total sales taxes in effect in the City; and

WHEREAS, the proposed City use tax cannot become effective until approved by the voters at a municipal, county or state general, primary or special election;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF ALDERMEN OF ASHLAND, MISSOURI, AS FOLLOWS:

Section 1. Pursuant to the authority granted by, and subject to, the provisions of Sections 144.600 through 144.761 RSMo, a use tax for general revenue purposes is imposed for the privilege of storing, using or consuming within the City any article of tangible personal property. This tax does not apply with respect to the storage, use or consumption of any article of tangible personal property purchased, produced or manufactured outside this state until the transportation of the article has finally come to rest within this City or until the article has become commingled with the general mass of property of this City.

Section 2. The rate of the tax shall be two percent (2%). If any city sales tax is repealed or the rate thereof is reduced or raised by voter approval, the city use tax rate also shall be deemed to be repealed, reduced or raised by the same action repealing, reducing or raising the city sales tax.

Section 3. This tax shall be submitted to the qualified voters of Ashland, Missouri, for their approval, as required by the provisions of Section 144.757 RSMo, at the election hereby called and to be held in the City on Tuesday, the 7th day of November, 2017. The ballot of submission shall contain substantially the following language:

Shall the City of Ashland, Missouri impose a local use tax 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 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.

YES

NO

If you are in favor of the question, place an "X" in the box opposite "YES." If you are opposed to the question, place an "X" in the box opposite "NO".

Section 4. Within ten (10) days after the approval of this ordinance by the qualified voters of Ashland, Missouri, the City Clerk shall forward to the Director of Revenue of the State of Missouri by United States registered mail or certified mail, a certified copy of this ordinance together with certifications of the election returns and accompanied by a map of the City clearly showing the boundaries thereof.

Section 5. This Ordinance shall be in full force and effect from and after the date of its passage and approval.

Dated this _____ day of _____, 2017.

Gene Rhorer, Mayor

Attest:

Darla Sapp, City Clerk

Certified as to correct form:

Fred Boeckmann, City Attorney

From: Janet Thompson [mailto:JThompson@boonecountymo.org]

Sent: Wednesday, August 23, 2017 3:09 PM

To: Gene Rhorer <mayor@ashlandmo.us>; Lyn Woolford <policechief@ashlandmo.us>; Darla Sapp <cityclerk@ashlandmo.us>; mayor@centraliamo.org; cityadmin@centraliamo.org; mayor@GoColumbiaMo.com; cmo@GoColumbiaMo.com; mayor@hallsvillemo.org; reggie.wilhite@centralbank.net; wilhitekl@hotmail.com; pbearmo@hotmail.com; dlancaster000@centurytel.net; eberhardtj@gmail.com; rcskiles@centurytel.net; kjhorn@centurytel.net; ursa32@aol.com; jzondca@yahoo.com; rcityhall@aol.com; drj48@hotmail.com; city@sturgeonmo.org

Cc: CJ Dykhouse <CDykhouse@boonecountymo.org>; BOCOMOREcord <bocomorecord@boonecountymo.org>; Dan Atwill <DATwill@boonecountymo.org>; Fred Parry <FParry@boonecountymo.org>; Janet Thompson <JThompson@boonecountymo.org>

Subject: Use Tax

Dear Colleagues—

On Tuesday morning, we had the first reading of our proposal to place the County use tax on the November ballot. The second reading will be tomorrow, August 24, and this will finalize the preliminary part of the process for us.

My fellow commissioners, Dan and Fred, and I wanted to reach out to you to let you know of our intention and express our thanks to all of you for sharing your intentions and thoughts behind your plans.

Our decision to go now, rather than waiting for the April election, is due in large part first, to the decisions of both Columbia and Harrisburg to put the use tax on the November ballot (thus allowing us to jointly promote the use tax to our communities) and second, to the recognition of the amount of tax revenue that we are leaving, uncollected, on the table by not putting the use tax in place on a local level. The Auditor, June Pitchford, has done some number crunching for us based on Department of Revenue taxable sales figures for the last ten years. While this is always a volatile figure, she determined that the three year average, rounded, was \$73.4M, which translates into about \$1.2M in (for now lost) revenues for the County. Rather than leaving these dollars on the table, and again, given that Columbia and Harrisburg

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are also going forward in November, we will ask the voters for their support of this effort in November as well. We understand that many of you are unable to go in November and may take the plunge in April of 2018. If any of you have decided to go in November but have yet to take formal action to start that process officially, you MUST take action no later than next Tuesday, August 29, 2017 before the close of business.

We have also reached out, through the Missouri Association of Counties and the County Commissioners Association, for help from our colleagues across the State—some of whom have already plowed this particular field, in hopes that they can give us guidance both on successful ways to explain this to voters and also on approaches that met with less than success. As soon as we receive that information, we will share it with you so that, regardless of the timing of your efforts, we can make use of others' efforts and not recreate any wheels! We will also be in touch with those of you in Columbia and Harrisburg in the VERY near future about how we can coordinate our efforts to move toward success in November.

Thanks to you all for working together toward this mutual goal.

All the best--Janet

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MISSOURI MUNICIPAL LEAGUE LOCAL USE TAX CAMPAIGN ROADMAP & TOOL KIT

OBJECTIVE: To provide a plan and the tools to Missouri cities that they can use to help gain passage of the local use tax.

BACKGROUND: A decision by the Missouri Supreme Court in January 2012 eliminated the local sales tax on vehicles purchased out of state or from an individual. Consequently, Missouri cities which do not have a local use tax in place are losing tax revenues that they once had. They have the opportunity to regain those revenues by placing a Local Use Tax issue on the ballot and gaining a majority of voter approval in that election.

HISTORY OF THE LOCAL USE TAX ISSUE:

- The sales tax was implemented in the 1930s as a temporary tax, prior to local sales tax or use tax. The highway use tax was implemented before the statewide use tax as a compliment to the sales tax. In the 1960s the state decided to tax transactions that came in from out of state as a “vendor” use tax. If you were a consumer and bought something out of state you had to self-report and pay the state rate. In the mid 90s a local use tax was implemented. The first local use tax law was a 1 ½ percent flat rate no matter where you were in the state. That was challenged by the Associated Industries, based on the fact that in two areas of the state a purchaser could be required to pay more tax on interstate transactions than on local transactions. The U.S. Supreme Court agreed and ruled the flat-rate local use tax was unconstitutionally discriminatory.
- The current local use tax in section 144.757 allows local governments to impose a local use tax on interstate purchases that are subject to the state use tax. The local use tax requires voter approval and the rate is the same as the local sales tax. This approach makes it simpler for consumers and local governments.
- The third type of use tax is the “highway use tax” on motor vehicles, boats, trailers and outboard motors. This tax was first levied in the late 1930s based on the reasoning that everyone that uses the roads should pay for their upkeep. Those purchasing vehicles that would use the roads would finance improvements to the roads with this tax. The highway use tax applies to purchases from private individuals and purchases from dealers outside Missouri. From the late 1990s through 2012, local sales tax was also applied to the highway use tax transactions. In the “Street” decision, the Missouri Supreme Court ruled that the imposition of the local sales taxes on highway use tax transactions was not authorized by law.
- The Supreme Court ruling said that local use tax should apply to highway use tax transactions; even though statutes say the local use tax does not apply to highway use tax. Legal experts believe the MO Supreme Court decision controls and local use taxes that have been properly adopted by voters do apply to highway use tax transactions. This means the local use tax applies to purchases of vehicles, trailers, boats and outboard motors from anyone except a Missouri auto or boat dealer.
- If a Missouri purchaser buys \$2,000 worth of goods upon which no tax has been paid, the purchaser must self-report and pay the tax with their individual income tax return. Because



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state government does not audit individuals, the vast majority of use taxes are paid by local businesses that purchase goods outside Missouri.

HOW MANY DOLLARS ARE WE TALKING ABOUT? The Missouri Department of Revenue has projected lost revenue for each city in Missouri. If you do not already have this information, you may obtain it from the MML. You will want and need it to educate your council and the voters.

KEY POINTS: These are the key points to make in any communications to help someone understand the issue. They are attached as a separate document and are included here as well.

Background

- <City Name> residents used to pay city sales tax and Missouri highway use tax (equal to state sales tax) on vehicles bought out of state when we licensed them. All tax was paid in Missouri, not in the state where the vehicle was purchased.
- A 2012 change in the interpretation of the law changed everything. Now when a <City Name> resident licenses a car purchased out of state or from an individual, they no longer pay city sales tax. (They don't pay sales tax in the state where they made the purchase, either.)
- But if a <City Name> resident purchases a vehicle from a Missouri car dealer, they must still pay local sales tax. This means that with tax, the same car sold at the same price will cost more if purchased locally than if it is purchased from out-of-state dealers. This puts local dealers at a disadvantage, encouraging <City Name> residents to do business outside of Missouri.
- <City Name> needs these tax dollars for basic services like street and sewer maintenance and police and fire protection.
- The Local Use Tax will replace the local sales tax that used to be charged in these cases. Nearly half of all Missouri cities with populations of 2,000 or more already have a use tax in place. <City Name> does not.
- You won't pay this tax unless you purchase a vehicle or other item over \$2000 out of state (and don't pay sales tax on it), or you purchase a vehicle from an individual.
- This is not a "double tax". The Local Use Tax applies only on transactions where no sales tax was already applied. If you paid tax when you made the purchase, you don't pay it a second time.

The Ballot measure:

- <City Name>'s Local Use Tax issue will be on the <Date> ballot.
- The State of Missouri mandates that any local Use Tax be applied at the same rate as the local Sales Tax. In <City Name>, the current local sales tax rate is <x.xxx%>, so the Local Use Tax rate would also be <x.xxx%>.

Why is the Local Use Tax important to <City Name>?

- <City Name> has depended on this important revenue source in the past to fund ongoing city projects. The <\$ amount> in projected annual lost revenue could fund (# pothole replacements, # police officers, # firemen, etc).
- Today, <City Name> businesses are at a competitive disadvantage to out-of-state businesses, who don't charge sales tax on our vehicle purchases. These out-of state businesses don't create local jobs or reinvest in our community. It's not fair or wise that tax breaks encourage <City Name> residents to leave Missouri to make large purchases.



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- **Other Questions:**

Are goods other than vehicles subject to the local Use Tax?

If a taxpayer purchases \$2,000 or more worth of out-of-states goods upon which no tax has been paid, the purchaser must self-report and pay the Use Tax with their individual income tax return.

Does the local Use Tax apply to private vehicle sales?

Yes. State Use Tax is already collected when a privately sold vehicle is licensed. The Local Use Tax would be collected in the same manner.

Does the Use Tax apply to Internet Sales?

The Federal Government has stated that there will be no taxes on out-of-state Internet purchases unless the seller already has a business presence within the state. Until such time as that might change, any discussion about how the Use Tax would apply would be conjecture.

How is the Local Use Tax paid?

The Use Tax on vehicles is paid when you register your vehicle at the license bureau. The State of Missouri relies on self-reporting on individual income tax returns for use tax compliance related to other types of purchases. Businesses generally file Use Tax Returns quarterly.

Benefits from the Local Use Tax

Why is a local Use Tax necessary?

It provides an important source of local funding and levels the playing field for local businesses, which would otherwise be at an unfair competitive disadvantage to out-of-state business when local taxes are avoided.

How much annual revenue does <City Name> expect to generate from the Use Tax?

<Fill in the blank>

What local services will the local Use Tax fund?

The Local Use Tax will go into <City Name>'s general revenue fund, providing funding resources for city services from street repair to police and fire protection. [insert appropriate info. i.e., "The expected revenues would be enough to repair 10,000 pot holes in our streets, fund the salaries of two additional policemen, or purchase a new fire truck."]

Will the local Use Tax have other local benefits?

In addition to providing an important source of revenue for city services, the local Use Tax is an important tool in leveling the playing field for local businesses. With no local use tax in place, local



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residents have an incentive to cross state lines to buy instead of buying locally. This costs us local jobs and sends [tens of thousands of] dollars out of our local economy.