



On April 7, 2020, Troy voters will decide the following ballot issue regarding a USE TAX.

USE TAX VOTER INFORMATION

(Paid for by the City of Troy)

What is a local Use Tax? In the simplest terms, a use tax is a sales tax applied to the purchase of goods by Missouri residents and businesses from out-of-state vendors.

The use tax is applied to the same type of products subject to sales tax (any items exempt from a sales tax also are exempt from the use tax). The amount of use tax due on a purchase is equal to the sales tax rate in effect at the point of delivery.

The purpose of the use tax is to complement and protect sales taxes by removing the incentive to purchase from out-of-state sellers in order to avoid local sales taxes.

45 states and nearly half of all Missouri cities with populations of 2,000 or more (105+ cities) already have a use tax in place. Locally, the State of Missouri, St. Charles County, Wentzville, Foristell and Elsberry already have a use tax.

How is a Use Tax calculated?

The sales tax rate is based on the point of sale. The use tax rate is determined based on the point of delivery. Out-of-state business purchases are subject to the use tax. Online consumer purchases exceeding \$2,000.00 are subject to a use tax. Local use taxes are collected and distributed by the State in the same manner as sales taxes.

The use tax rate always equals the sales tax rate:

- *If a local sales tax sunsets, is lowered or is repealed, the use tax would decrease to the new sales tax;
- *If the voters of a city approve a new sales tax, the use tax would go up by the same amount;
- *If an item is exempt from the state and local sales tax, it is also exempt from the state and local use tax

Sales Tax vs. Use Tax

The use tax mirrors the current sales tax and is not a “double-tax.” The use tax would only apply on out-of-state purchases where no sales tax was charged. If you pay sales tax, you do not pay use tax and vice-versa. A consumer never pays both.

Impact of a Use Tax

The State already has a use tax and the use tax already applies; but, the cities without a use tax are missing out. The difference for local businesses and shoppers would be relatively minimal. The local use tax would be added to current purchases that already are subject to State use taxes.

State	4.225%
Lincoln County	2.750%
Local-City	<u>2.000%</u>
Total	8.975%*

*For illustration purposes only and does not take into account special taxing districts:

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*if a Troy business makes a \$10,000 purchase from a local Troy retailer, the State and City sales tax on the purchase would equal \$622.50 (State and City sales tax)

*Today, if a Troy business makes a \$10,000 purchase out-of-state, the amount of use tax collected on the purchase would equal \$422.50 (State use tax)

*However, with a use tax in place, if a Troy business makes a \$10,000 purchase from out-of-state, the use tax also would equal \$622.50 (State and City use tax)

Although the impact on purchasers is minimal, the impact on Troy would be significant. For example, in the previous example of a \$10,000 purchase, the difference to the purchaser is \$200. The impact, however according to Missouri Department of Revenue's Estimate of 2018 Revenue Potential, to Troy is \$488,977.

Specific Benefits for Troy

Potential revenue for Troy: \$488,977 (based on 2018 Potential Revenue estimate by Missouri Department of Revenue).

Helps support our local retail businesses by removing the incentive to purchase out-of-state to avoid local sales tax (and if there is no Troy retailer, it could still promote in-county or in-state purchases)

Establishes a Use Tax in the event of future changes in legislation

Revenues generated by the Use Tax would be utilized for general revenue purposes in the City limits of Troy and include, but not be limited to, Roadway Improvements, Public Safety, Parks, Storm Water Management, and Water and Sewer Infrastructure.

Use Tax Rules and Regulations

State law dictates which vendors are required to collect a use tax, but purchases made from vendors who do not collect an applicable use tax are still subject to the use tax and mandated to self-report to the State of Missouri by tax return.

For the average non-business consumer (a typical resident): The use tax would not generally apply because it only applies to online purchases exceeding \$2,000 (self-report by tax return).

The overall impact on most residents is small.

Other Key Factors

The Use Tax does not apply if the purchase is from a Missouri retailer. The sales tax based on the vendor's location would apply to the purchase.

Future Federal/State action could block out cities who do not have a mechanism in place and when a permanent Federal or State solution is finally determined, only cities that have passed the use tax would benefit from that Federal legislation.

For more information, please contact at 636-528-4712 ext. 2:

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Alderman Ward 1: Karen Curt or Guy Grimstead

Alderman Ward 2: Lisa Anderson or David Norman

Alderman Ward 3: Dennis Detert or Todd Walker