

# City of Archie

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## What is a Use Tax?

- In the abstract, a use tax is imposed on purchases of goods for the purpose of storage, use, or consumption when a local sales tax is inapplicable.
- A use tax is a tax that is paid when purchases are made other than at retail. Examples would include purchases from out-of-state businesses, including catalog and online sales. In these situations, the person pays a use tax instead of a local sales tax.
- No one ever pays both sales tax and use tax. The use tax applies only when an item was not otherwise subject to a retail sales tax at the time of purchase.
- A city's use taxes may only be imposed at the same rate as a city's sales tax. For example, if the City of Archie's local sales tax is 2%, then it can only impose a use tax at the rate of 2%.

## Why have a Use Tax?

- To protect local businesses from being placed at a competitive disadvantage.
  - \*Without a local use tax, a city's local businesses are at a competitive disadvantage.
  - \*If a city does not have a use tax, then those sales where a use tax would have applied are simply exempt from local tax. This exemption always works in favor of out-of-town and out-of-state vendors, never in favor of local businesses.
- To augment local municipal revenue.
  - \*With the increased popularity of online shopping, what a city can generate in sales tax revenue is diminishing. At the same time, citizens expect the same level of services they are used to their city providing. Such services include a local police force, regular maintenance of infrastructure, parks, and more.
  - \*Implementing a local use tax allows cities to recover taxes from out-of-state retailers who profit from products sold within the city limits. These out-of-state retailers send delivery trucks across city roads that require street maintenance and increases police calls that result in the Police Department responding to incidents.
  - \*Local use taxes serve to maintain these public services by offsetting the diminishing returns of sales taxes.

## Voter prerogative

- In Missouri, a constitutional amendment known as the Hancock Amendment prohibits cities from imposing new taxes or increasing the rate of an existing tax, unless such is approved by voters at an election. Use taxes are no exception to this. Before a city can impose a use tax, it must be approved by the city's voters.

- Missouri law also provides a means for the voters to petition for the repeal of local use tax.
- All said, the voters have a significant voice in the approval and continuance of a city's use tax.

### **Conclusion**

- Use taxes do not result in citizens paying more in taxes than they already would be paying if they were choosing local businesses. Instead, use taxes simply serve to help cities maintain the level of services they provide their citizens while simultaneously placing their businesses on a level playing field. Finally, the imposition of a use tax cannot occur without voter input. The ultimate decision rests with the city's voters.