BILL 2015-47

****** Second Reading ******

Agenda Item

TO: Mayor and City Council

FROM: Mark Gaugh, City Manager (and Zac Johnson, Director of Utilities/ACM)

DATE: December 21, 2015

RE: Local Sales Tax Question

Purpose

In January 2012, the Missouri Supreme Court delivered an opinion in the *Street v. Director of Revenue* case which determined out-of-state purchases of automobiles and marine equipment are not subject to local sales taxes. The Missouri Legislature reacted in 2013 by passing HB 184. This bill established basically three things. First, it prohibited state and local use taxes on the sale of motor vehicles, trailers, and marine equipment. This has no effect on Cameron because we do not have a local use tax in place. Second, it requires all local taxing jurisdictions that do not have a use tax must put to a vote of the people whether to discontinue collecting sales tax on the sale of vehicles, trailers, and marine equipment that are purchased out-of-state. If this tax is repealed it would obviously have a negative impact our General Fund budget and create an unfair advantage for out-of-state vendors over Cameron businesses. Finally, HB 184 also created a referendum action to repeal the tax at any time. To call for such a vote would need a signed petition by 15% of the registered voters of Cameron requesting it.

Impact

If the City chooses not to pursue submitting the question to the voters or if the tax is repealed, on March 1, 2017 the City will no longer receive marine and automobile sales tax on out-of-state purchases. The sales tax money is currently deposited into the General Fund. MML has estimated this would cost the City of Cameron roughly $25,000-$50,000 per year. Consideration will need to be taken when considering the FY 2016-17 and future Budgets.

Recommendation

Staff recommends that the Council pass this ordinance and present this question to the voters at the August 2016 election. This ordinance has been reviewed by a municipal attorney and is recommended by the Missouri Municipal League. Because of the widespread effect of the Supreme Court's decision, this issue will be appearing on ballots in numerous cities next year. Currently only six cities have passed such issue.

Bill 2015-47

AN ORDINANCE FOR THE CITY OF CAMERON, CLINTON AND DeKALB COUNTIES, MISSOURI PROVIDING FOR SUBMISSION OF A PROPOSAL TO CONTINUE APPLICATION AND COLLECTION OF THE LOCAL SALES TAX ON THE TITLING OF MOTOR VEHICLES, TRAILERS, BOATS, AND OUTBOARD MOTORS THAT WERE PURCHASED FROM A SOURCE OTHER THAN A LICENSED MISSOURI DEALER TO THE QUALIFIED VOTERS OF THE CITY FOR THEIR APPROVAL AT THE PRIMARY ELECTION CALLED AND TO BE HELD IN THE CITY ON TUESDAY, AUGUST 2, 2016

Second Reading

WHEREAS, the City has not previously approved and imposed a local use tax under Section 144.757 RSMo; and

WHEREAS, the City is required under the provisions of Section 32.087 RSMo to submit to the qualified voters of the City the question of repealing the application of the local sales tax to the titling of motor vehicles, trailers, boats, and outboard motors that were purchased from a source other than a licensed Missouri dealer; and

WHEREAS, the City is required to submit the question to its voters no later than the General election in November 2016; and

WHEREAS, a fair and sound tax policy would require the same tax rate be charged on purchases made from businesses located outside Missouri as are charged by businesses in Cameron eliminating a competitive advantage of out-of-state businesses.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CAMERON, CLINTON AND DeKALB COUNTIES, MISSOURI AS FOLLOWS:

Section 1. Pursuant to the provisions of Sections 32.087 RSMo, the City Council has determined that it would be appropriate to submit the determination of the issue of whether to repeal application of the local sales tax to the titling of motor vehicles, trailers, boats, and outboard motors that are subject to state sales tax under section 144.020 and purchased from a source other than a licensed Missouri dealer to the voters.

Section 2. This proposition shall be submitted to the qualified voters of Cameron, Missouri, for their approval, as required by the provisions of Section 32.087 RSMo, at the election hereby called and to be held in the City on Tuesday, the 2nd day of August, 2016. The ballot of submission shall contain substantially the following language:

> Shall the City of Cameron continue applying and collecting the local sales tax on the titling of motor vehicles, trailers, boats, and outboard motors that were purchased from a source other than a licensed Missouri dealer?

Rejection of this measure will result in a reduction of local revenue to provide for vital services for the City of Cameron and it will place Missouri dealers of motor vehicles, outboard motors, boats, and trailers at a competitive disadvantage to non-Missouri dealers of motor vehicles, outboard motors, boats, and trailers.

☐ 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 3. If the ballot question set forth in Section (2) of this ordinance receives a majority of the votes cast in favor of the proposal, the local sales tax shall continue to apply to the titling of motor vehicles, trailers, boats, and outboard motors that were purchased from a source other than a licensed Missouri dealer. If a majority of the votes cast are opposed to the ballot question then the local sales tax shall cease to apply to the titling of motor vehicles, trailers, boats, and outboard motors that were purchased from a source other than a licensed Missouri dealer. The effective date of the cessation shall be the first day of the second calendar quarter after the election.

Section 4. Within ten (10) days after the approval or disapproval of the proposition by the qualified voters of Cameron, 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.

Passed and approved on first reading this 21st day of December 2015.
Passed and approved on second reading this 4th day of January 2016.
Passed and approved on third and final reading this _____ day of _____ 2016.

_____
Mayor Dennis M. Clark

ATTEST:

_____
City Clerk/Finance Clerk

Second Reading