

JOPLIN CITY COUNCIL
WORKSESSION NOTES
April 23, 2018

The City Council of the City of Joplin, Missouri, held a work session beginning at 5:45 p.m. on Monday, April 23, 2018 at Joplin City Hall, in the 5th Floor Council Chambers, 602 S. Main to hear a presentation from the Use Tax Task Force and discussion of the Lodging Tax.

Use Tax Presentation: Finance Director Leslie Haase Leslie stated the Use Tax issue is one of the most important issues facing our community and the discussion tonight focuses on whether to put a use tax before our voters. A use tax is important for many reasons and the presentation tonight will help educate the city council on this issue. The committee has a recommendation for the council, but first Leslie gave a brief review of the committee and its purpose.

In February, the city council appointed members to a citizen's task force committee to review placing the use tax before the Joplin voters. Some of the members were in attendance including two of the three Co-Chairs: Rodney Spriggs and Erik Bartlett. Leslie stated the council will be hearing from the co-chairs later. She then went on to discuss the history of the local use tax, which was imposed in 1992 to protect local merchants from local businesses purchasing outside the state to evade sales tax. Leslie explained the difference between a use tax and regular sales tax. A use tax applies to purchases made out-of-state and brought here for use; it's imposed on the storage, use or consumption of tangible personal property in Missouri; it doesn't apply if purchase is subject to sales tax (so there can never be any double-taxation); a use tax is assessed based on first use in city, or *ship to location*.

A sales tax requires a sale at retail in Missouri; imposed on retail sale of tangible personal property and taxable services; and a sales tax is charged based on *location of the seller*.

How does a use tax work? A city or state can't require an out-of-state company that doesn't have a "nexus" or presence to collect and remit use tax. If an out-of-state seller doesn't collect use tax, the purchaser is responsible for remitting the tax. Purchasers are excluded (not an exemption) from reporting tax on out-of-state purchases until cumulative purchases equal \$2,000 in a calendar year. If \$2,000 threshold on out-of-state purchases is met, all purchases must be reported. The State of Missouri currently has a use tax in place of 4.225%, which already applies to businesses and residents. Over half of all Missouri cities with populations over 2,000 have a use tax in place. Over 105 Missouri cities have a use tax and over 56 Missouri counties have a use tax. A use tax rate must mirror a city's sales tax rate,(Joplin's rate is 2.625%). In February 2017, Amazon began collecting and remitting use tax in Missouri and in cities with a use tax in place.

Why is a use tax important to our community? It levels the playing field between hometown merchants and out-of-state sellers. It helps retain local businesses, in turn keeping local jobs in our community and it preserves local economy. It helps to ensure local retailers and merchants are treated equally with all others and helps to ensure the support the local businesses for the entire community, instead of dollars flowing out of the region. A use tax is not a new "tax" in traditional terms, instead it's a more efficient method of collecting sales tax owed to state and local governments. A local use tax replaces the local sales tax lost through out-of-state purchases

and helps to ensure local area governments have the resources to continue to provide same level of services to citizens such as police & fire protection, streets, parks, etc. A use tax removes pressure to raise local sales taxes to make up for the tax revenue lost to other states.

Leslie then gave this example: with no use tax in place: Company Z makes a \$5,000 purchase, has it shipped to Joplin, from an out-of-state vendor – Company Z pays \$0 City use tax.

With a use tax in place: Company Z makes a \$5,000 purchase, shipped to Joplin from an out-of-state vendor, then Company Z pays \$131.25 in City use tax.

Some common use tax transactions are construction contractors, businesses purchasing supplies and taxable equipment from out-of-state and internet and mail order purchases from non-Missouri sellers. The following cities currently have a use tax: Carterville, Duquesne, Gladstone, Hazelwood, Kansas City, Kirksville, Kirkwood, Mt. Vernon, Pineville, Sedalia, Springfield, St. Joseph, St. Louis, Warrensburg and Webb City.

The impact of a use tax on Joplin, based on 2015 state collections, was an estimated amount projected by the State of \$1,013,280. The estimated use tax collections from Amazon are \$178,257. It is anticipated these numbers will increase over time as internet purchases continue to grow.

Leslie turned the discussion over to Rodney Spriggs and Erik Bartlett to present the committee's recommendations to the city council.

Mr. Spriggs stated the committee would like to offer 3 recommendations to Council:

1. The committee voted unanimously to recommend to City Council to place the use tax question before Joplin voters in August of 2018
2. The committee unanimously recommended no sunset for this tax because of the nature and purpose of the tax (which is replacing and helping to collect like a sales tax) and the additional cost of renewing the tax (if there were any changes).
3. The committee voted unanimously to recommend to Council to use proceeds from the tax, if passed, in exact manner as the existing 5 sales taxes (1% General, ½ % General for Public Safety, ½ % Transportation, ¼ % Parks/Storm water; 3/8 % Capital Improvements) for the following reasons: use tax replacing lost sales tax; and unable to project future collection rates of sales tax vs. use tax.

Leslie stated the next step, if Council approves the recommendations, the Citizen Use Tax Committee will begin the education process, which includes preparing education documents and determining the education process and timeline. The committee will seek the Chamber of Commerce's assistance in the advocacy process. And the formal ordinance with ballot language will come before Council at the second meeting in May.

Leslie discussed the possible ballot language that needs to be review. Some of it is mandated by state statute: "In an attempt to eliminate the unfair advantage enjoyed by out-of-state vendors over local vendors, and to have the tax monies already collected by the state on these out-of-state vendors be provided to the City of Joplin at no additional cost or tax to the residents of Joplin,

shall the City of Joplin impose a local use tax at the same rate as the total local sales tax rate, currently two and five eighths percent (2 5/8 %), provided that if any local sales tax is repealed, reduced, or raised by voter approval, the local use tax rate shall also be repealed, reduced, or raised by the same action? A use tax return shall not be required to be filed by person whose purchases from out-of-state vendors do not in total exceed two thousand dollars in any calendar year.”

Discussion followed the power point presentation. There was a consensus from the city council to approve the recommendation from the use tax committee and to have city staff prepare a formal ordinance with ballot language to come before Council at the second meeting in May.

Discussion of the Lodging Tax: City Attorney Peter Edwards stated Mayor Shaw asked him to make a clarification comment on this topic before discussion begins. There is a Missouri statute that allows all cities to assess up to a 5% hotel/motel tax on rooms that it sells to transient hotel guests. Currently, the City of Joplin has a 4% tax and that’s been taken to the voters twice. The first one was a 2% and the second one was a 2%, so right now there’s a 4% hotel/motel tax. Peter further stated that Pat Tuttle started working with Gary Burton to look at putting legislation in place at the state level that would increase what we are now restricted by that 5% cap to increase that to either 7% or 8%. I don’t know what that final number is that Pat reached. But that’s a preliminary step in whatever process this city council would take to put another ballot measure to the citizens to see if they wanted to increase the hotel/motel tax from 4% up to a higher amount for a specific purpose. That’s not really a discussion I think that Pat or the city manager are prepared to have tonight. Really, the discussion is very preliminary – do we want to pursue legislation in Jeff City that, if and when the time comes, would we want to have the ability to put a ballot measure to the public to increase the hotel/motel tax from current 4% to a higher amount?

City Manager Sam Anselm stated that in his email to the city council on April 13, he stated he met with CVB Director Tuttle after Director Tuttle discussed this with both the CVB advisory board and most recently with the Joplin Sports Authority, about the possibility of getting some enabling legislation passed through the state legislature that would raise the ceiling of the hotel/motel tax to increase the cap of our lodging tax from its current 5%. As a result of several discussions and going back to the Vision 2022 process last year as well as the recommendations that were made in the tourism study, we went ahead with doing some research on what that enabling legislation might look like.

Gary Burton, the city’s lobbyist, addressed the council, stated that while this request is late in the session, they’ve identified a few bills that they can potentially try to get this legislation onto. Senator Ron Richard requested a resolution from the city council that they would support such an increase before the Legislature pursued it. If the community and council is desirous of seeing a project begin as early as 2019, the legislation would need to be approved by the state this year to be effective, if, and when, a project is presented, Joplin voters will still need to approve any increase in the current lodging tax, which sits at 4%, before any project can proceed. Representative Charlie Davis has put together potential legislation but we’re waiting for the council’s approval before identifying what bills we can put it onto. Strong representation from local hotel/motel vendors will help give more support to get this legislation done in Jeff City.

Request to address Council: City Clerk Barbara Gollhofer informed the council that she received two requests, Mrs. Shelly Kraft and Pete Hall to address council on the lodging tax issue. Motion by Mr. Stanley, second by Mr. Brown to allow this request.

Shelly Kraft, 2701 Bird Avenue, Joplin, stated she is the Chair for Vision 2022 and for six months that committee worked with 150 people. She reminded everyone to thoroughly research, survey and investigate the costs and benefits of a use tax and the 2022 committee recommended moving forward to get that on the ballot before the November 2018 election.

As far as the hotel/motel tax, Vision 2022 did say they would back increasing that tax from 2% to 4%. To be honest with you, we were working with the Lodging Association getting that backing with them to move forward together. Vision Joplin said we would support that tax for a multi-use indoor sports facility.

Pete Hall: 3128 E. Hammons, Joplin, addressed the council on the lodging tax. After giving a brief history of the lodging tax, Mr. Hall stated that the way this legislation is being implemented as an amendment to a Senate bill is extremely inappropriate. Why can't this follow the normal legislative process? He stated that a year ago, in cooperation with Vision 2022, a plan was presented for a 2% increase in the lodging tax. And at the same time, expressed interest in moving forward with resolving some of those issues. Here we are, more than a year later, and we're on a totally different path when we could have been working on this together and moving forward as partners as we did in 1988. To say we have to do this now, or lose this window of opportunity, demonstrates a lack of confidence that we can do the right thing and that we can correct the problems that exist and that we could move forward as partners. I just want to remind you that in 1988 it was 3 city council people and 3 members of the lodging association that first made a lodging tax possible, and that's the way it should be and that's the way we should move forward. I would ask that you take a look at the process by which you're using to attempt this and look at the material you've been provided. The average lodging tax in the state of Missouri, including Kansas City and St. Louis, is 4.43%. (Joplin's at 4%). The national average of the 150 largest urban markets in the United States is 13.66% total tax; that includes city, state and county and lodging tax. (Joplin's is 12.225%).

After discussion, Mr. Stinnett made a motion, with a second from Mr. West, to ask our legislators to move forward with pursuing legislation to increase the lodging tax cap to 7%. Voting in favor were Council Members: Bard, Brown, Colbert-Kean, Reid-Adams, Shaw, Stanley, Stinnett and West, 8. Nays: 0. Absent: Lawson, 1.

Respectfully,
Barbara Gollhofer
City Clerk