Use Tax FAQs

Q: What question is going to be on the November 5, 2019 ballot?
A: "Shall the City of Sikeston, Missouri, in order to eliminate the current sales tax advantage that Non-Missouri vendors have over Missouri vendors, place a local use tax on Out-of-State purchases? This would be at the same rate as the local sales tax, currently 3%. If any local sales tax is repealed, reduced or raised by voter approval, the respective local use tax rate shall also be repealed, reduced or raised by the same action.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 persons whose purchases from Out-of-State vendors do not total more than two thousand dollars in any calendar year."

Q: What is a "use tax?"
A: A use tax is similar to a sales tax, but is imposed on sales of goods from non-Missouri vendors that are intended for use, storage, or consumption in Missouri. It is not a double tax, it is only imposed on sales that are not already subject to sales tax. Consumers will not pay both a sales tax and use tax.

Q: Why is the City asking me to vote on this?
A: Out of state vendors currently have an unfair advantage over our local businesses, because they can sell goods to be delivered or used here without charging any sales tax. A use tax would level the playing field for local vendors. In addition, as more and more sales have moved from local retailers to online and out of state retailers, sales tax revenues for essential city services and quality of life investments have not kept pace with inflation.

Q: How would a use tax affect me?
A: Certain out of state businesses (those with a physical presence in Missouri or a contract with the State) are required by Missouri law to collect use tax just as they normally collect sales tax on purchases you make in the store. Until the City has an approved use tax, these companies don't collect any revenues for the City to fund essential services like Police, Fire, Streets and Parks. Unless you personally make more than $2,000 in out of state purchases that are not already subject to sales tax, you will not be required to file a use tax return yourself.

Q: How would a use tax affect local retailers?
A: Local "brick and mortar" stores face the challenge of modern shoppers visiting a store to view the physical products only to turn around and purchase the product online, thus avoiding the local sales tax. A use tax levels the playing field by imposing the same taxes on out-of-state retailers as local retailers. In 2019 so far, 27% more stores have closed nationwide than in all of 2018, and by 2026 more than 75,000 stores nationwide could close their doors largely due to competition from online retailers (*USA Today, July 3, 2019*).

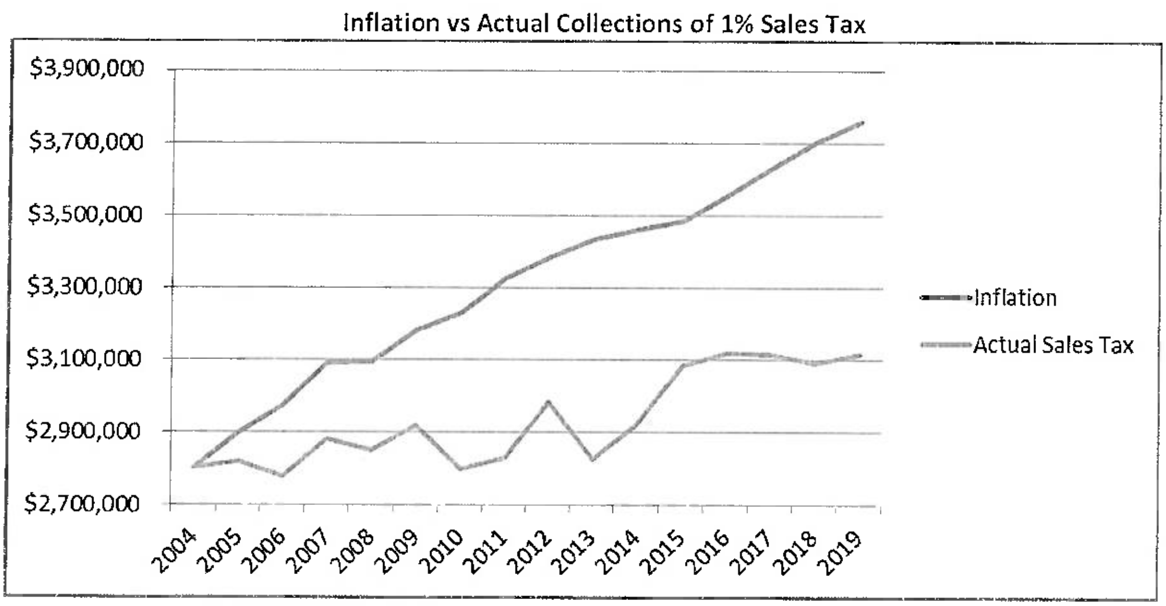
Q: Would the use tax have a sunset?
A: The use tax rate would be the same rate as the total local sales tax, currently 3%. Per State law, if any of the local sales taxes sunset or are repealed, reduced or raised by voter approval, the respective local use tax rate shall also sunset or be repealed, reduced or raised by the same action.

Q: Is use tax the same as internet sales tax?
A: Not exactly. It is a tax on out-of-state sales that are not otherwise taxed. It will apply to some internet sales but not universally. The State of Missouri cannot require out-of-state companies that do not have a physical presence in Missouri, or do not have a contract with the State of Missouri, to collect and remit

use tax. Neither sales taxes nor use taxes will apply to all internet sales until Federal regulations close all the loopholes. Individual consumers will not have to file a use tax return unless they make more than $2,000 in out-of-state purchases that were not already taxed (this is already a State law).

Q: What percentage of retail sales are made online?
A: According to the US Department of Commerce, 9% of all retail sales are now occurring online, up from 3% ten years ago; if those sales involve out-of-state vendors, then the sales are not subject to the local sales tax. There is no reason to think this upward trend will not continue. The retail marketplace has fundamentally changed. Prior to the rise of online shopping, consumers were paying local sales tax on the goods they are now purchasing online. Passage of a use tax is essential to closing the online loophole.

Q: What is the local trend for sales tax revenues?
A: In the past 4 years since the new capital improvement sales tax has been collected, total sales tax collections have actually declined slightly, while total City operating expenses have grown about 8%. This is an unsustainable trend. Over the last 15 years, taxable sales have increased a total of 11.2%. In the same time period inflation has increased 31.4%.



Q: What other local economic trends are observed?
A: Under the Hancock Amendment to the Missouri Constitution, local property taxes grow only at the rate of inflation as determined by the State of Missouri. Property taxes only make up 14% of the City's revenues compared to sales taxes which make up 62%. In the last 6 years, Sikeston has experienced over $166 million in residential and commercial construction, with at least 132 new single family homes built. Despite this growth, sales tax revenues have fallen far behind inflation, suggesting that the shift to online shopping has more than offset the increase in local customers.

Q: How much would the use tax generate?
A: In 2016 the Missouri Municipal League analyzed taxable sales around the State and estimated that a use tax in Sikeston could generate a little over $400,000 annually.

Q: How would the money generated by a use tax be used?
A: The money generated by the use tax is essentially the same money that should have been generated by local sales taxes but has disappeared due to more and more sales shifting online. Any money generated by a use tax would fund essential City services such as Police, Fire, Streets and Parks operations, as well as investments in projects that enhance quality of life and economic vitality in Sikeston.

Q: How does the City spend our money now?
A: The City spends about 48% of the annual budget on Public Safety (Police, Fire, and 911), 19% on Public Works (Streets, Drainage, Airport and Maintenance), 15% on Administrative and Governmental Services (Finance, Human Resources, Risk Management, Administration), 10% on Solid Waste Disposal, 6% on Parks, and 2% on the Court.

Q: How does use tax actually get collected?
A: The State of Missouri already has a use tax in place at the same rate as the State of Missouri sales tax. When something that is subject to the use tax is purchased out-of-state for the intended storage, use or consumption in Missouri, AND local sales tax is not paid on the purchase, AND the seller has a physical presence in the State of Missouri or a contract with the State, then that seller collects use tax and remits it to the State of Missouri just like a Missouri seller would do with sales tax. If the above factors are not present, and the buyer purchases more than $2,000 annually from out-of-state sellers, then the buyer is required by current State law to fill out a use tax return and submit it to the State of Missouri.

Q: Would use tax apply to purchases made from sellers in other Missouri cities?
A: No. If you buy a taxable item in another city or county, even if it is delivered to Sikeston, you pay the sales tax rate in that jurisdiction where the seller is located.

Q: What other cities and counties have adopted a use tax?
A: Voters in over 166 Missouri cities and 62 counties have adopted a use tax as of May 2018, including the following cities in our area: Dexter, New Madrid, Perryville, St Genevieve, Benton, Chaffee, Kennett, Miner, Bloomfield, Lilbourn, Parma, and Advance. Voters in New Madrid County, Scott County, and Cape Girardeau County have also adopted use taxes.

Q: If voters approve the use tax, when will it go into effect?
A: The tax would begin to be collected January 1, 2020.