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**MUNICIPAL LEAGUE
OF METRO ST. LOUIS**

LINKING LOCAL COMMUNITIES | STRENGTHENING LOCAL GOVERNMENT

CITY USE TAX FACT SHEET

Use tax authorization

Sections 144.757.144.761 RSMo. authorizes any incorporation city, town or village to impose a local use tax.

What is the Local Use Tax?

The use tax applies local sales taxes to out-of-state transactions conducted by individuals and businesses, including catalog and direct market sales.

Is This a Fair Tax?

Yes, the use tax on out-of-state purchases applies the local voter approved sales taxes to all purchase; local or internet. The escalation of internet sales has reduced local revenues and put the local brick and mortar retailers at a competitive disadvantage, local use tax creates a level playing field for your local retail businesses that must collect the city sales taxes. The local use tax will fix this “loophole.”

City Adopting a Use Tax Must Submit Ordinance to Voters

The governing body of any city may adopt a local use tax ordinance. However, the proposal must be submitted to the voters of the city at either a city, county or state general, primary or special election and receive a majority of the votes cast on the proposal.

What Use Tax Rate is Authorized

The city may impose a use tax only at the same rate as its city sales tax rate. If the city's sales tax rate is repealed, reduced or increased, by voter approval, then the city's use tax rate is similarly repealed, reduced or increased.

What if the City's Voters Turn Down the Use Tax?

If the voters of the city do not authorize a local sales tax, the legislative body of the city may submit the sales tax proposal again at the later election. There is no limitation as to how many times the local sales tax proposal may be submitted to the electorate.

When Does a City Use tax Ordinance Take Effect?

If the city voters approve the use tax on August 6, 1996, then the tax becomes effective October 1, 1996, as long as the Director of Revenue receives notice of adoption of the local use tax on or before August 16.

If the city voters approve the use tax after December 31, 1996, then the tax becomes effective on the first day of the calendar quarter which begins at least forty-five days after the Director of Revenue receives notice of adoption of the local use tax.

How is the Tax Collected?

If the out-of-state vendor has a facility in Missouri, the vendor will collect the local use tax, along with the state use tax, and remit both to the Missouri Department of Revenue.

