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Date: November 21, 2016

TO: City Council  
FROM: Cindy Robbins, City Clerk

Subject: Authorization to call for an election to allow for the continuation of the collection of local taxes on out-of-state and person to person purchases of motor vehicles, trailers, boats and outboard motors.

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In 2012, the Missouri Supreme Court Case (Street v. the Director of Revenue) and in subsequent, 2013 state legislation (HB 184/SB 182) required that cities without a use tax, such as Nixa, must receive voter approval by November 2016 to continue the collection of sales taxes on purchases of out of state or person to person motor vehicles, trailers, boats and outboard motors. HB 2140, in April of 2016, extended the deadline for obtaining voter approval to November of 2018. City staff would request Council's authorization to bring this ballot issue to the voters in April of 2017. Your authorization would allow for staff to prepare the necessary ordinance calling for this issue and introduce it to you on December 7, 2016.

It is difficult to track the actual collection of sales tax based on where the purchase of the motor vehicle, trailer, bot and outboard motor was purchased, because the City is still able to collect these funds. But we have estimated that if the City were unable to collect out-of-state or person to person sales, we would stand to lose \$108,363/year. This is based on a Department of Revenue estimate using 21% of total sales occurring out-of-state or person to person. A lesser estimate (10-15%) would put the City's loss of revenue at \$51,602 or \$77,402 respectively.

It is important to point out that this is not a new tax nor is it increasing tax collection. The City's tax will remain 1.5%. This amount is made up of General Funds 1% and Streets .5%. The city is merely asking for a continuance of a tax that is already being collected. But come November of 2018, if our constituents do not authorize its continuance it will cease to exist. The elimination of these funds would reduce revenue resources deemed important for street improvements, sidewalks and law enforcement.

The absence of this tax also places our in-state motor vehicle, trailer, boats and trailer dealers at a disadvantage. With the authorization of the taxes continuance, it would eliminate this competitive disadvantage.

Attachment: Frequently Asked Questions

**FREQUENTLY ASKED QUESTIONS:  
Out-of-State Sales Tax on the Purchase of Motor Vehicles, Trailers, Boats and  
Outboard Motors**

On Tuesday, April 5<sup>th</sup>, Parkville voters will be asked to consider the continuation of an existing sales tax on purchases of out-of-state motor vehicles, trailers, boats and outboard motors.

**What is the sales tax about?** A Missouri Supreme Court Case (Street vs. the Director of Revenue) in 2012, followed by subsequent state legislation (HB 184/SB 182) in 2013, required that cities without a use tax (such as Parkville) must receive voter approval by November 2016 to continue sales tax collections on purchases of out-of-state motor vehicles, trailers, boats and outboard motors.

**Is this a new tax?** No. The city has collected this tax for many years. The question is on the ballot only as a result of the Missouri Supreme Court decision and the state legislation that followed. If the question is not placed on the ballot, or if the tax is discontinued by voters, the tax would cease to be collected beginning January 2017.

**How does the tax affect me?** The tax only applies to you if you purchase a motor vehicle, trailer, boat or outboard motor from out-of-state. Similar purchases made in-state will be subject to the local sales tax regardless of the vote on this ballot question.

**What is the city's sales tax rate?** The rate for Parkville is 1.5%.

**What is the sales taxes rate that I currently pay on a vehicle purchased as a Parkville resident?** Currently, any vehicle purchased by a Parkville resident is subject to a 7.1% sales tax (4.225% state tax, 1.5% city sales taxes, 1.375% other local taxes). If the out-of-state vehicle sales tax is discontinued, a resident would be subject to a 5.6% sales tax (4.225% state tax, 1.375% other local taxes) on a vehicle purchased out-of-state, but would remain subject to a 7.1% sales on a vehicle purchased in-state.

**Are other cities like Parkville affected?** Yes. A number of cities across the state will be voting on this issue at various times during 2016. Any city desiring to place this question on its ballot must do so by November 2016. Locally, Platte City and North Kansas City will be voting on the issue this April.

**Is there an impact on local dealerships?** Yes. The existence of the tax creates a level playing field for Missouri dealerships. If the existing tax were to end, Missouri dealerships would be at a competitive disadvantage with out-of-state dealerships which would no longer be required to collect the tax.

**Where do the collections from the tax go?** Collections of the city's 1.5% sales tax are split between two city funds. The General Fund receives two thirds of the revenue and the Transportation Fund receives one-third of the revenue.

**FREQUENTLY ASKED QUESTIONS:  
Out-of-State Sales Tax on the Purchase of Motor Vehicles, Trailers, Boats and  
Outboard Motors**

**What impact does the tax have on Parkville revenues?** The General Fund provides for a number of basic city services such as police, parks, code enforcement, licensing and inspections. The Transportation Fund funds services such as street and sidewalk improvements/repairs, street lighting, snow removal, street signs, street sweeping, and tree maintenance.

City staff estimates that the budget impact of discontinuing collection of the out-of-state vehicle sales tax is an annual loss of \$90,000 to \$112,500 beginning in 2017. New revenues would have to be identified or services would have to be cut to account for this loss of funding. As a point of reference, the lost revenue is equal to about 25% of the city's annual street maintenance and equipment budget.

**What does a "Yes" or "No" vote mean?**

- A "Yes" vote means that local sales taxes will **only** be collected on eligible in-state purchases. Local sales tax collections on eligible out-of-state purchases will end and the revenues the City is currently receiving will be lost.
- A "No" vote means the existing tax will continue; no new tax will be implemented.

**What is the exact ballot language that I will see on Election Day?**

*Shall the City of Parkville discontinue 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?*

*Approval of this measure will result in a reduction of local revenue to provide for vital services for Parkville 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".*