

FREQUENTLY ASKED QUESTIONS - PROPOSITION 1

Out-of-State Sales Tax on the Purchase of Motor Vehicles, Trailers, Boats and Outboard Motors

On Tuesday, April 4th, Marceline 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 Marceline) must receive voter approval by November 2018 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 2018.

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 Marceline is 2.0%.

What is the sales taxes rate that I currently pay on a vehicle purchased as a Marceline resident? Currently, any vehicle purchased by a Marceline resident is subject to an 8.225% sales tax (4.225% state tax, 2.0% city sales taxes, 2.0% other local taxes). If the out-of-state vehicle sales tax is discontinued, a resident would be subject to a 6.225% sales tax (4.225% state tax, 2.0% other local taxes) on a vehicle purchased out-of-state, but would remain subject to an 8.225% sales on a vehicle purchased in-state.

Are other cities like Marceline affected? Yes. A number of cities across the state will be voting on this issue at various times during 2017. Any city desiring to place this question on its ballot must do so by November 2018. Locally, Salisbury and Chillicothe voters elected to continue the tax in April 2016.

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 2.0% sales tax are split between three city funds. The General Fund receives half of the revenue, the Transportation Fund receives one-fourth of the revenue, and the Pool Fund receives one-fourth of the revenue.

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What impact does the tax have on Marceline revenues? The General Fund provides for a number of basic city services such as police, fire, parks, licensing and inspections. The Transportation Fund funds services such as street improvements, maintenance and repairs. The Pool Fund funds the bond payments for the revenues for the new facility scheduled to be opened Memorial day 2017 and will assist in funding operations of said facility.

City staff estimates that the budget impact of discontinuing collection of the out-of-state vehicle sales tax is an annual loss of \$10,000 to \$15,000 beginning in 2018. 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 Street Department's General Repairs and Maintenance budget **or** 25% of the Street Department's Capital Expenditures.

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 Marceline, Missouri 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 the City of Marceline, Missouri 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".