

## On the Ballot: PROPOSITION 1 - Use Tax

The City of Brentwood has placed a Use Tax on the November 7 ballot for residents to decide.

A Use Tax is currently levied in many cities and by the State of Missouri on out-of-state business-to-business and internet sales. The ballot issue would authorize Brentwood to levy a 1.5% Use Tax on purchases from out-of-state vendors who are exempt from local sales tax. The Use Tax would also apply to internet purchases over \$2,000 per year by individuals when self-reported on their state income tax returns. This Use Tax is estimated to generate approximately \$28,000 for the City of Brentwood annually. The official ballot language is below:

**“Shall the City of BRENTWOOD be authorized to impose a local use tax at the same rate as the local sales tax by a vote of the governing body, provided that if any local sales tax is repealed, reduced or raised by voter approval, the respective local use tax shall also be repealed, reduced or raised by the same action?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 in total exceed two thousand dollars in any calendar year.”**

Yes

No

### Use Tax Overview

#### **What is a Use Tax?**

A Use Tax is a sales tax imposed on the purchase of goods by Missouri residents from out-of-state vendors. The Use Tax is applied to the same type of products subject to traditional sales tax. The difference is where the goods are purchased and shipped.

#### **How much is the proposed Use Tax?**

The rate of the proposed Use Tax on the November 7 ballot is 1.5%, or one-and-a-half cents per dollar of purchases made from entities that do not have an office, store, warehouse, etc. in the State of Missouri.

#### **I already pay sales tax. Is this the same thing?**

No. The sales tax applies to retail purchases made within Missouri. The Use Tax applies to purchases made from out-of-state vendors. Purchases cannot fall into both groups, so a purchase would not be taxed twice.

#### **Do other cities in Missouri and St. Louis County have a Use Tax?**

Yes. Nearly half of all Missouri cities with populations of 2,000 or more already have a Use Tax in place. Brentwood does not. Some of the municipalities in St. Louis County that do have a Use Tax in place include Des Peres, Kirkwood, Maplewood, Olivette, Richmond Heights and University City. The State of Missouri has a Use Tax of 4.22%; Brentwood does not receive any of this revenue.

#### **What is the expected revenue for the City of Brentwood from this tax, if passed?**

The City of Brentwood could receive \$28,000 or more annually if the tax passes.

#### **Now that Amazon has announced it will collect Missouri tax, will our City revenue increase?**

Only cities that have passed the local Use Tax can expect a revenue increase from Amazon sales.

#### **Does the Use Tax apply to internet sales?**

It may, depending on what is purchased. However, the first \$2,000 worth of purchases made by an individual annually, which are subject to the tax, is exempt. The Use Tax does not apply to purchases made by Missouri residents from a Missouri retailer. The Use Tax applies to purchases from out-of-state vendors only. If a Missouri resident buys a product from a Missouri vendor over the internet, the sales tax based on the vendor’s location would apply to the purchase.

#### **How is Use Tax paid?**

The Use Tax on vehicles is paid when you register your vehicle at the license bureau. The State of Missouri relies on self-reporting on individual income tax returns for Use Tax compliance related to other types of purchases. Businesses generally file Use Tax Returns quarterly.

#### **How is Use Tax reported?**

Businesses report their sales and Use Tax quarterly to the State. For individuals, once the \$2,000 annual exemption is reached, residents would self-report annually on their taxes due every April 15 for cumulative purchases above this amount.

### Benefits from the Local Use Tax

#### **What local services will the local Use Tax fund?**

The Use Tax will go into Brentwood’s Capital Improvement and Stormwater and Park Improvements funds, providing funding resources for City services from street repair to park maintenance.

#### **Why is this Use Tax important to Brentwood residents and businesses?**

In addition to providing an important source of revenue for city services, the local Use Tax is an important tool in leveling the playing field for local businesses. With no local Use Tax in place, our residents have an incentive to cross state lines to buy instead of buying locally. This costs us local jobs and sends tens of thousands of dollars out of our local economy.