
NOVEMBER 2: AN IMPORTANT QUESTION FOR YOUR CONSIDERATION

USE TAX INFORMATION

WHAT IS A USE TAX?



- A local tax on goods purchased out of state for delivery to and use in Cape Girardeau.
- Mechanism for local cities to capture sales tax currently lost on internet purchases.
- A transaction will never be subject to both a use tax and a sales tax.
- The State of Missouri mandates the local use tax be applied at the same rate as the city's sales tax, currently 2.75%.

CURRENT SALES TAX SCENARIO

- Currently, no city sales tax is being collected and paid by internet retailers.
- As in-store purchases decrease, this will put more and more stress on the city's ability to deliver quality services.
- Important: City does not receive sales tax or use tax revenue from state or county.

Actual Sales Tax Currently:		
	Local Purchases	Internet Purchases
State 4.225%	✓	✓
County 1.50%	✓	✓
Local City 2.75%	✓	✗

WHY NOW?

- Senate Bill 153 allows Missouri and local jurisdictions to collect an online use tax from online retailers **who sell and deliver more than \$100,000 in tangible goods to consumers in the state annually.**
- Following 49 other states and Washington D.C., **Missouri is the final state to implement an economic nexus law!**

In recent years internet sales have risen from 5% of all retail to over 15% and trending up.

The result: Significant less revenue to operate our city (at a time when costs for staff & materials are going up)

WHAT WILL IT BE USED FOR?

- The city intends to put this revenue toward general fund supported services and operations;
- An essential initiative, as currently there is diminishing general fund revenue from sales tax due to online leakage.



Enhanced Department Services and Staff Retention



Snow and Ice Removal on Majority of Streets



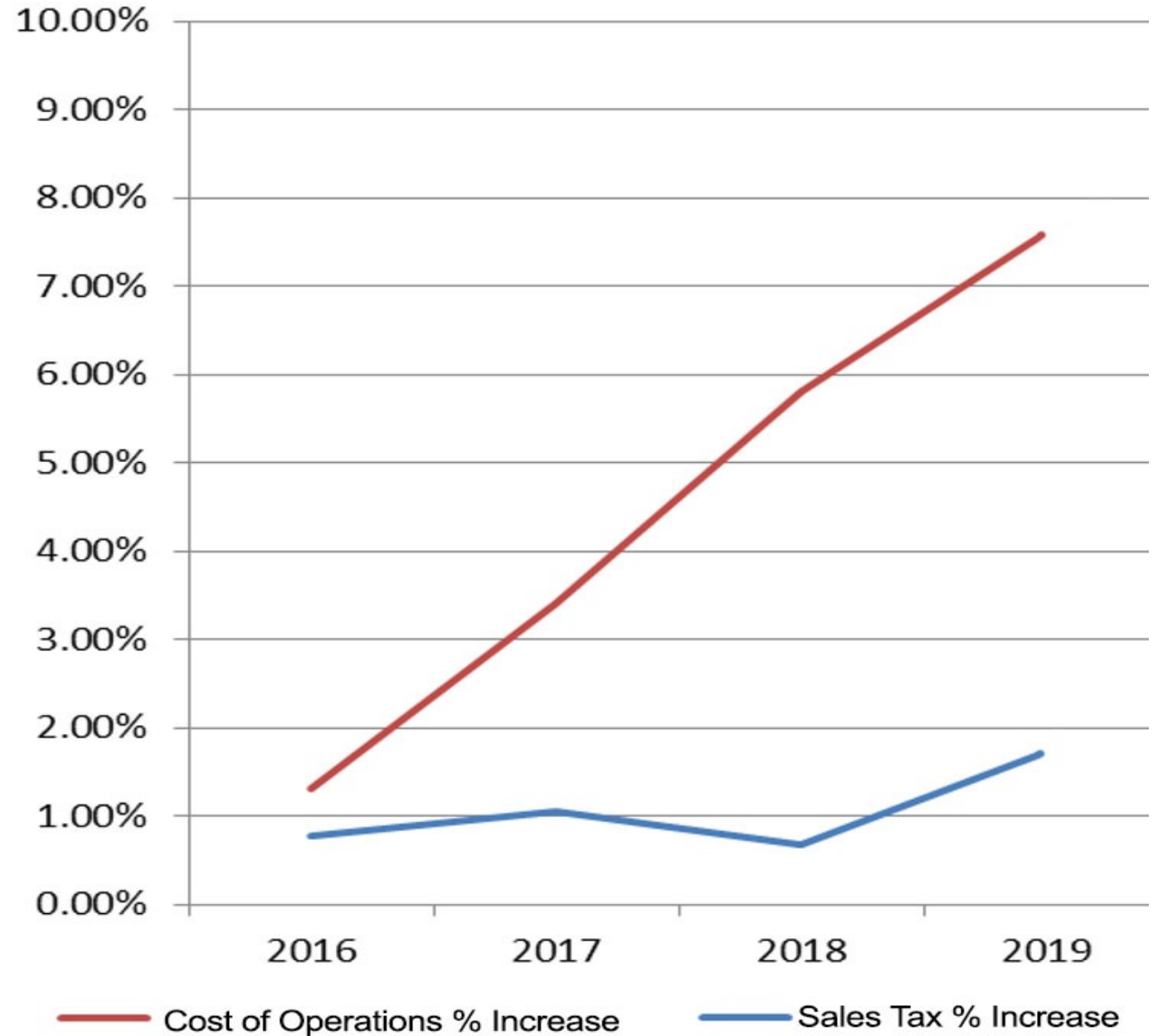
Code Enforcement

COMPARISON OF CITY SALES TAX AND INFLATION 2016-2019

During this same period,
Cape LOST:

Sears Grand, Toys"R"Us,
Payless Shoes,
Hancock Fabrics,
Kmart, and Macy's.

Source: 2021 City of Cape Girardeau Finance Department



AFFECTED GENERAL FUND SERVICES

- Police & Fire (operations vs capital)
- Street Maintenance
 - Pothole patching, snow removal, signal maintenance, etc.
- Parks & Recreation Services & Maintenance
- Cemetery Maintenance
- Planning/Inspections/Engineering
- Code Enforcement
- Staff Observations
 - “This is the hardest measure to pass and the least visible or painful tax to collect.”
 - “We're in the worst position I've seen in 30 years in terms of staff retention, attraction and ability to deliver service.”
 - “This is very slippery in the sense that, just as success builds upon itself, diminishing revenue and reduced services do the same.”

IN REVIEW

- For the past 100 years, cities like Cape Girardeau have relied largely on sales tax for operations – and used dedicated initiatives for capital improvements.
- Media modify society, and ‘the internet of everything’ is changing forever the way we communicate, interact and certainly the way we shop.
- As more and more retail activity moves online, it is vital for local communities to modernize tax mechanisms to better reflect these new realities.



THE REALITIES OF THE SITUATION

- The only way to maintain, improve and potentially expand our city services is to increase the revenue to our general fund.
- The easiest way to increase operating revenue is by capturing local sales tax internet sales.
- Too, the city cannot attract good people with low entry-level pay, nor can we retain good employees on stagnant wages.

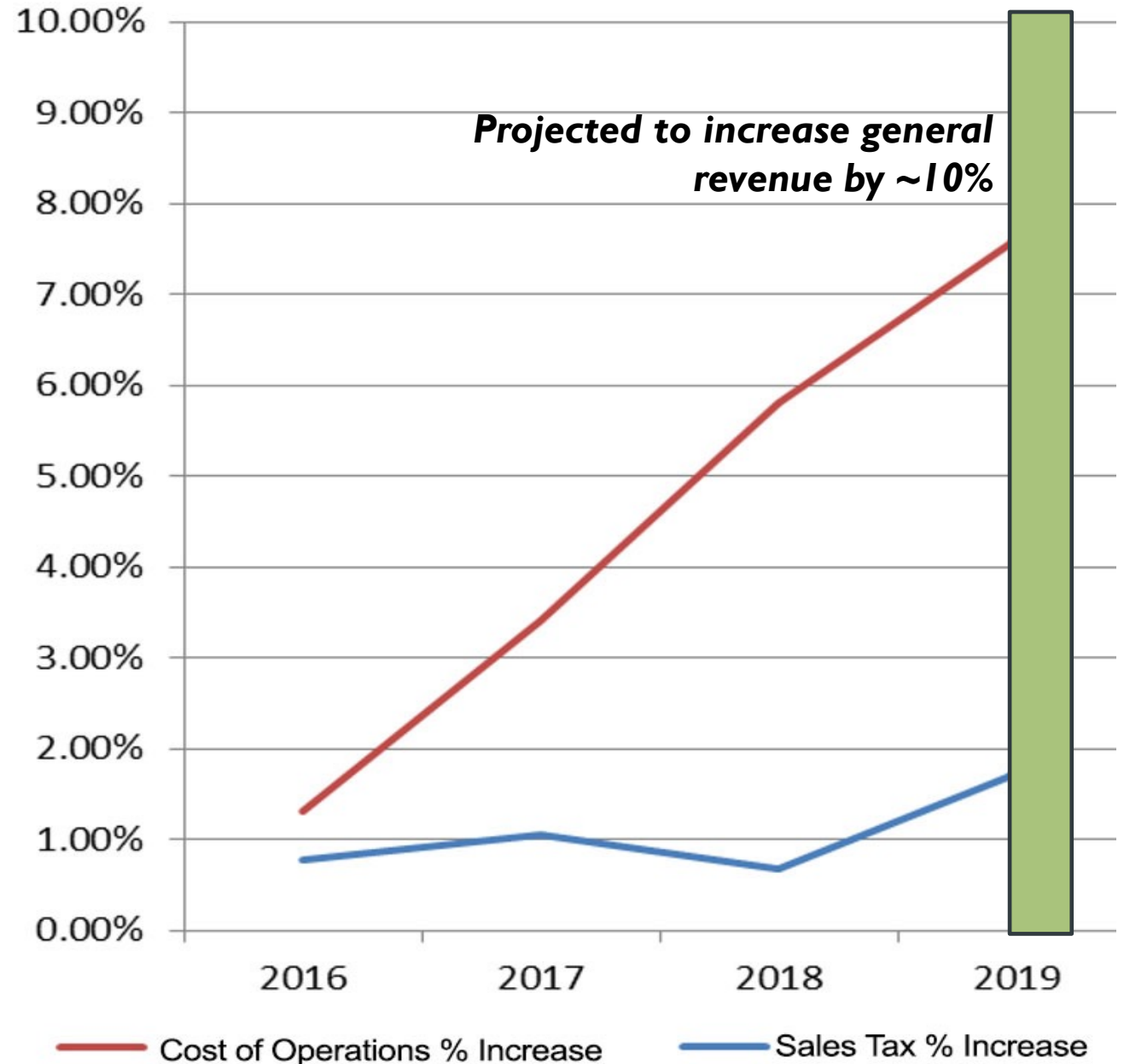
WHAT IF IT FAILS?

- Fees for services will increase.
- City will continue to lose employees to higher paying jobs and services will suffer.
- Services supported by the general fund will be reduced or eliminated.

GOOD NEWS: USE TAX PASSED IN CAPE COUNTY AND GENERAL REVENUE IS UP 10%+

Based on the county's
experience passing this
measure would close the
gap between inflation and
tax revenue!

Source: 2021 City of Cape Girardeau Finance Department



FREQUENTLY ASKED QUESTIONS

- **Does the city receive money from the voter-approved county public safety tax or the county use tax?**

No, these too are dedicated funds and do not serve as a revenue source for the city of Cape Girardeau.

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WHAT, WHEN AND WHERE

- **Only question on November 2nd ballot**
- **City of Cape residents**
 - However, Scott City & Jackson ballots also carry the same measure.
- **If passed, goes into effect Jan. 2023**

Thank you for your consideration!



CITY OF CAPE GIRARDEAU

QUESTION

Shall the City of Cape Girardeau impose local use tax at the same rate as the total local sales tax rate, provided that if the local sales tax rate is reduced or raised by voter approval, the local use tax rate shall also be reduced or raised by the same action?

☐ YES

☐ NO