



Growing Our Communities Together

Municipal Revenue Sources

Taxes, User Fees & Debt

MML Annual Conference
Branson, 2024

Stuart Haynes
Policy and Admin.
Director



WHY DO CITIES NEED TAXES?



Outline

- Shared Revenue
- Hancock Amendment
- Taxes
 - ❖ Property Taxes
 - ❖ Sales Tax
 - ❖ Use Tax
 - ❖ Other Taxes
 - ❖ Utility, Marijuana, Business Licenses, Motel Taxes, Income, Fuel, Cigarettes & Casinos
 - ❖ Cautions on Ballot Measures
- Fees
- Bonds and Indebtedness
- League Website Resources - QUESTIONS



SHARED REVENUE???

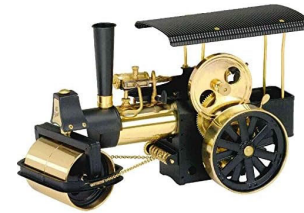


Shared Revenue - Fuel Tax and Licensing Fees

- ▶ Missouri Constitution Art IV Sec. 30 A.
 - ▶ 15% to Counties
 - ▶ 15% to Municipalities
 - ▶ - apportioned based on population
 - ▶ <https://dor.mo.gov/revenue-annual-financial-report/>



Missouri Gas Tax - SB 262



Fiscal Year	Gasoline & Diesel Tax Rate per Gallon
FY 2021	\$ 0.17
FY 2022	\$ 0.195
FY 2023	\$ 0.22
FY 2024	\$ 0.245
FY 2025	\$ 0.27
FY 2026+	\$ 0.295



► GAS TAX MONIES USE LIMITED TO:

Construction, reconstruction, maintenance, repair, policing, signing, lighting and cleaning roads and streets - Mo. Con.

Hancock Amendment

- Limit on State Revenue
- No Unfunded Mandates
- No new local license, tax or fee without vote of the people



Hancock: Mo. Supreme Court Keller v. Marion County Ambulance District

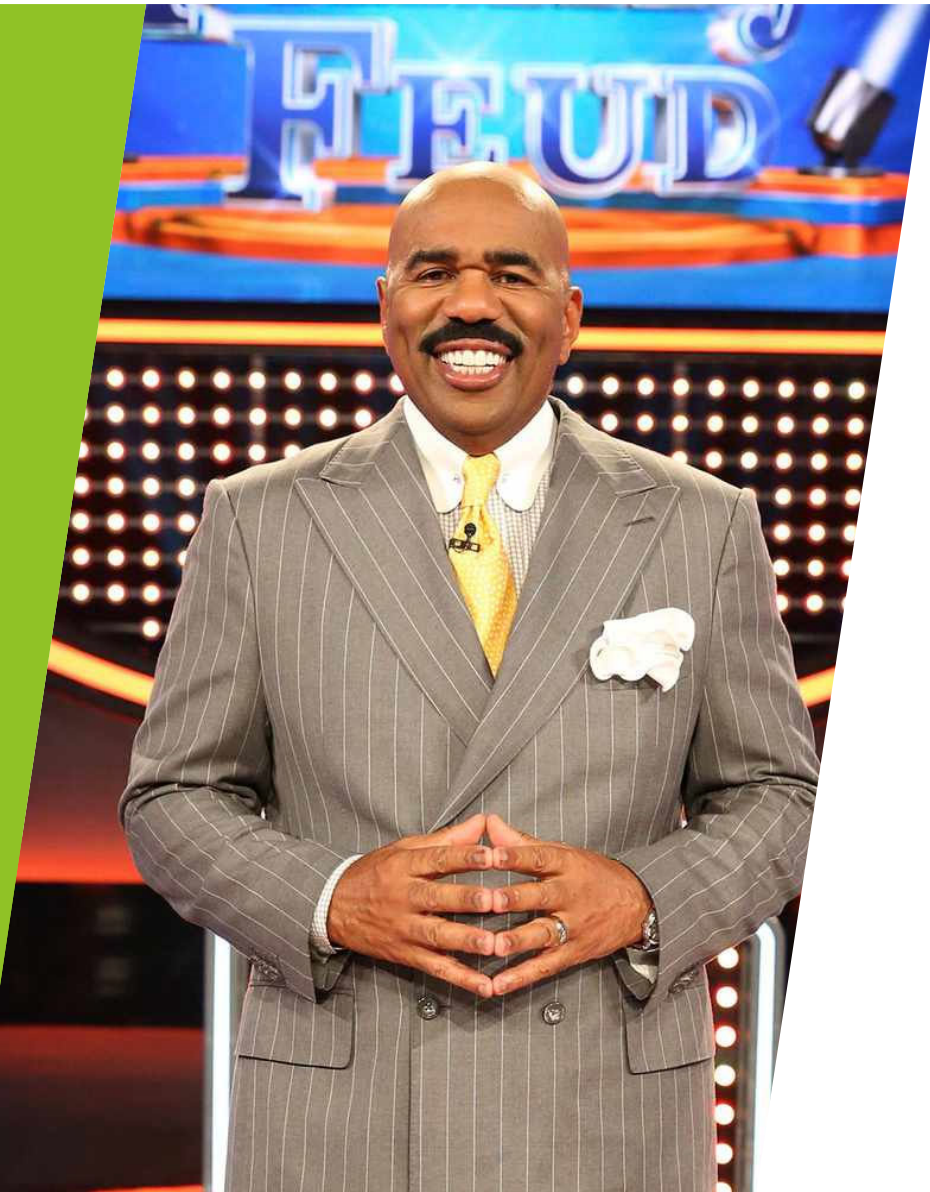
*Mo. Constitution: No new
local license, tax or fee
without vote of the
people.*

**Court said...well...
unless it's a User Fee.**



Hancock: Test for tax or user fee:

1. When is payment made?
2. Who makes the payment?
3. Is government providing a good/service?
4. Is the fee determined by level of goods/services provided?
5. Has the good/service historically and exclusively been provided by government?



TAX OR USER FEE?

Authorization to Impose Tax

AUTHORITY

- ▶ Statutory cities - need to have a state law that grants power to impose
- ▶ Home Rule - need to not be pre-empted (feds, state & charter)
- ▶ RSMo 67.2725 - 4 day notice prior to any vote to implement tax increase

Property Tax

- Historically - primary municipal revenue source
- Surpassed by the sales tax in most cities starting in 1970's
- School levy generally 3 to 4 times higher

Assessed Value % of Market

Personal - 33.3 %

Residential property - 19%

Agricultural - 12 %

Commercial - 32 %





Property Tax Terminology

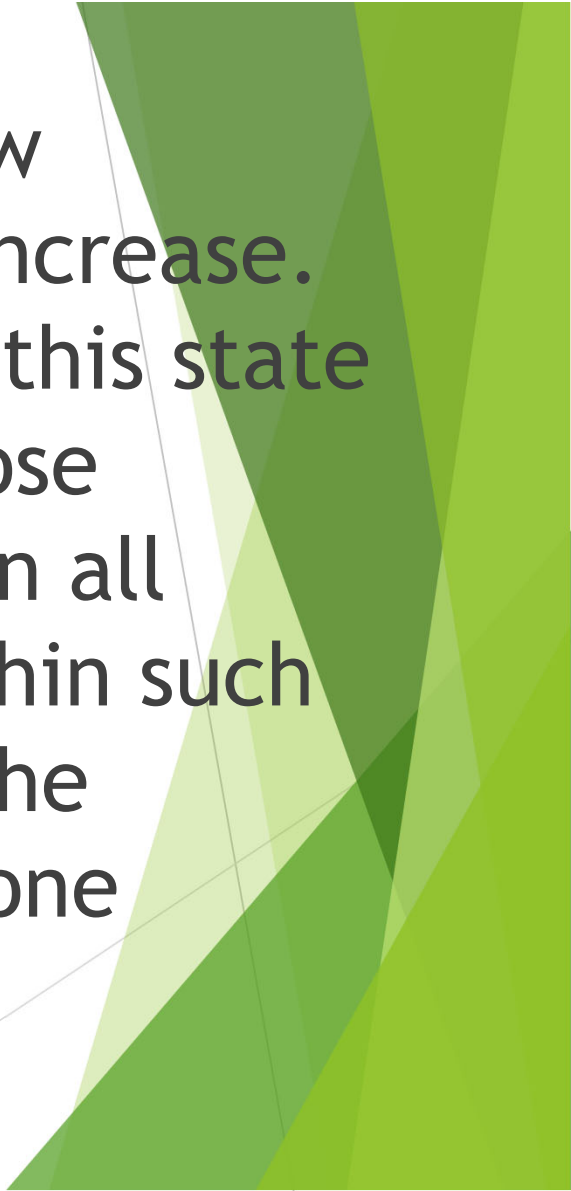
- ▶ Levy - To impose tax. May also indicate the rate.
- ▶ Assessed Valuation - the portion of the market value, or “true value” of the property that is taxable.
- ▶ Mill Rate - Represents the amount of tax per \$1,000 of the assessed value of property.



Municipal Property Taxes

- ▶ General Property Tax:
 - ▶ 3rd class - General Levy (\$1.00 + \$.30) §94.060 RSMo.
 - ▶ 4th class - General Levy (\$1.00 + \$.30) §94.250 RSMo
 - ▶ Villages - General Levy (\$.50 + \$.30) §80.460 RSMo.
 - ▶ Special Charter - General Levy (\$1.00 + \$.30) §94.340 RSMo.
 - ▶ Home Rule - General Levy (\$1.00 + \$.30) §94.400 RSMo.
- ▶ Library Property Tax (§182.140 to 182.301 RSMo.)
- ▶ Park Property Tax (§90.500 to 90.570 RSMo.)
- ▶ Recreation Property Tax
- ▶ Hospital/Museum Property Tax (\$.20)
- ▶ Debt Service Property Tax (G.O. Bonds – Mo. Con)



- 
- ▶ 94.250. Maximum rate of tax – how increased – extension of period of increase.
 - 1. All cities of the fourth class in this state may by city ordinance levy and impose annually for municipal purposes upon all subjects and objects of taxation within such cities a tax which shall not exceed the maximum rate of one dollar on the one hundred dollars assessed valuation.

Hancock Amendment

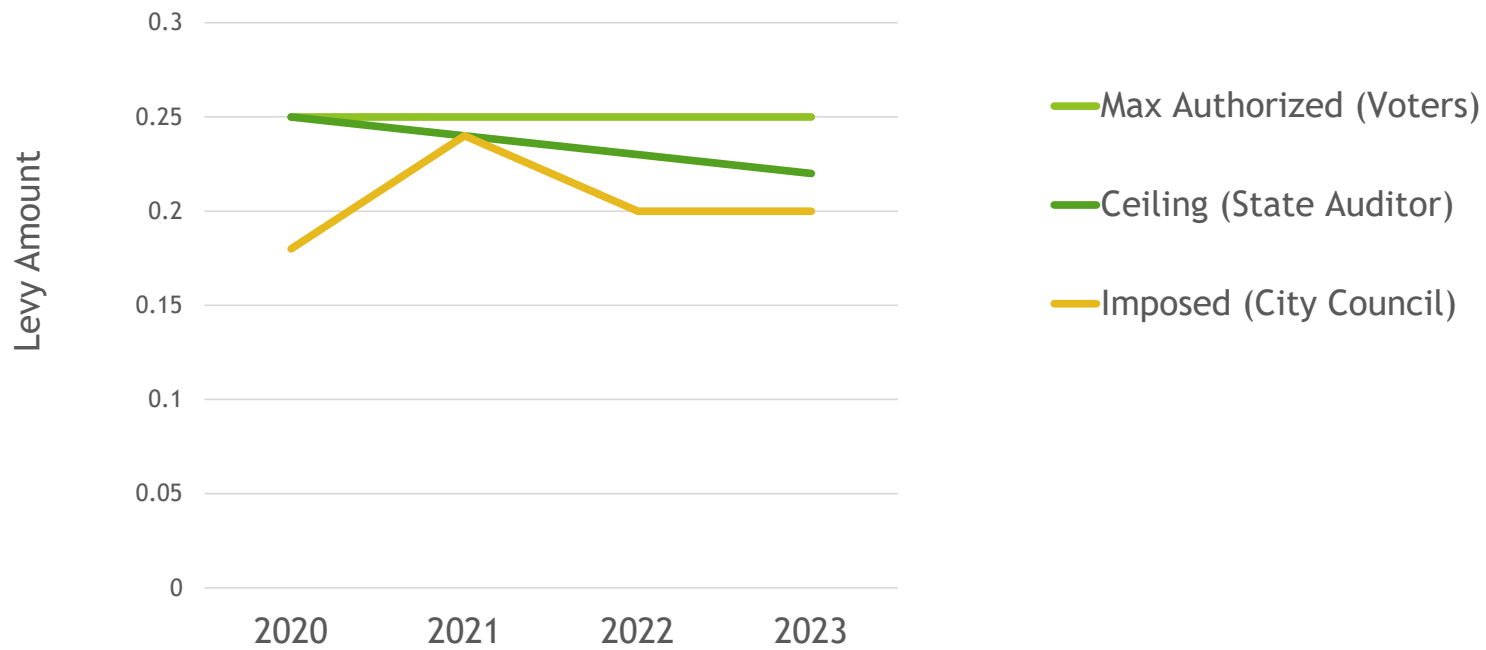
- Article X, Section 22 states: “If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each county or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.”
- Section 137.073, RSMo Statute for the calculation of the tax rates

Setting the Levy

- ▶ Tax Rate Ceiling - the maximum tax rate allowed by state law in the current year and the Hancock Amendment.
- ▶ Maximum Authorized Levy - the greater of the 1980 tax rate or the most recent voter approved tax rate. Political subdivisions may not impose a tax greater than the maximum authorized levy without voter approval.
- ▶ Voluntary Reduction - Even year - reduction will start next year. Can only be undone in even year. Must pass a resolution, policy or justifying its action justifying its action and a copy of that must be sent to the state Auditor.



Understanding the Levy



Public Hearing

§ 67.110, RSMo Requires Public Hearing to set levy

- Munis not located in 1st class charter counties no later than **September 1**.
- Munis in 1st class charter counties no later than **October 1**
- A notice stating the hour, date, and place of the hearing shall be published, and **MUST** include details provided in Section 67.110, RSMo.

Collection Issues

- ▶ Real Property - can be sold
- ▶ Personnel Property - City Stickers
- ▶ Many municipalities contract with their County for collection services.



Missouri Auditor's Show-Me Local Gov Property Tax Info:

- ▶ <https://app.auditor.mo.gov/ShowMeLocalGovernment/CountySelect.aspx>



SALES TAX



- ▶ Primary Income Source - for many cities
- ▶ State sales tax - \$.04225
- ▶ Some county and emergency services funded through sales tax

Types of Local Municipal Sales Taxes

Sales Tax	Statute	Rate
General	§ 94.500-94.550	up to 1 cent per instance; total 2 cent max
Capital Improvement	§ 94.575 & 94.577	1/8, 1/4, 3/8 or 1/2
Economic Development	§ 67.1305	Not to exceed 1/2
Stormwater/Parks	§ 644.032	Not to exceed 1/2
Transportation	§ 94.700 to 94.755	Not to exceed 1/2
Fire Protection	§ 321.242	Not to exceed 1/2

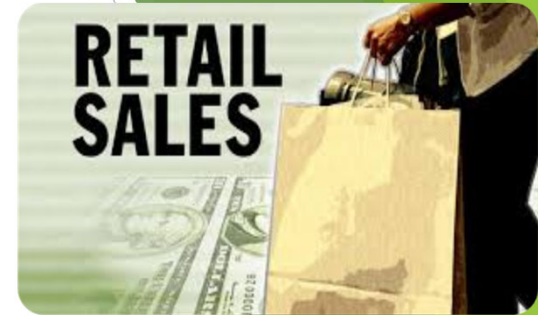


Location of Sale/Transaction Determines Sales Tax Rate On Retail Sales

- Purchaser's home address irrelevant.
- Doesn't matter if purchaser is a resident of Missouri - if buying at retail.

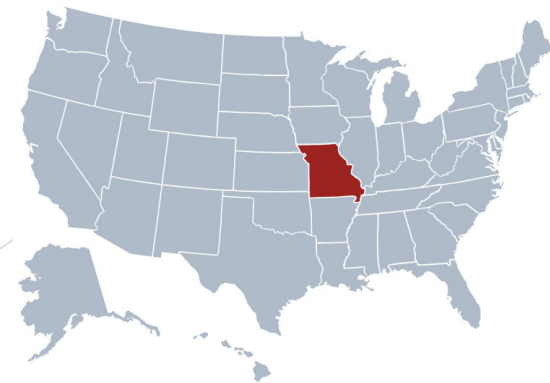
Remote Sales:

- ✓ Internet, phone, catalog, fax etc...
- ✓ Remote Sale shipped within Missouri - seller's location determines sales tax
- ✓ Remote sale shipped out of Missouri by a non Missouri purchaser - no Missouri sales tax applies.



Use Tax

- Use tax - can be thought of as a sales tax on goods purchased from out-of-state shipped to Missouri.
- Use tax does not apply if the purchase is from a Missouri retailer and subject to Missouri sales tax.
- Imposed directly upon the person that stores, uses, or consumes tangible personal property in Missouri.



Use Tax - Very Similar to Sales Tax

- It applies to the same basket of goods as the sales tax.
- It's applied at the same rate as the total local sales tax.
 - New sales tax automatically increases use tax rate
- Tax is charged based on first use in the state, generally the location of the purchaser. May be the point of delivery.



Local Option Use Tax

- Authorized in Section 144.757 - 144.761, RSMo
- A local use tax rate *must* equal the imposing jurisdiction's total local sales tax.
- Use Tax Revenue is General Purpose
- 291 Municipalities (2/3 rds have sales tax)
- Over 100 Muni's have passed use tax in last 5 years



Common Use Tax Transaction

- Internet and mail order purchases from non-Missouri sellers
- Construction Contractors
- Businesses purchasing supplies and taxable equipment from out-of-state



Use Tax - Collection under SB 153



- Out-of-state retailers who do not have a physical presence in the state of Missouri now required to remit the state and local use tax.
- Exception for small vendors doing less than \$100,000 gross sales in Missouri.
- Online retailers must collect state and local use taxes from transaction they facilitate (e.g. Amazon marketplace).
- Change from physical nexus to economic nexus became effective on January 1, 2023.

Sales/Use Tax Links

DOR's Sales and Use Tax Information Page

- <https://dor.mo.gov/business/sales/>

DOR's Sales and Use Tax Data Report Page

<https://dor.mo.gov/publicreports/#pubtax>

DOR's sales tax rate by address portal

<https://mytax.mo.gov/rptp/portal/home/business/customFindSalesUseTaxRates/>

Local Option Fuel Tax

- Requires 2/3rd approval from citizens
- Mathews, Concordia, Peculiar & Knob Noster
- Collection - by city.
- Mo Con. Art. IV Sec. 30 (a) #3



Marijuana Local Option Tax

3 percent

General Revenue

Passed Overwhelmingly



Utility Taxes

- ▶ % Gross Receipts Or Flat
- ▶ Cable, Telecommunications, Gas, Electric
- ▶ No Tax on Internet Service Provision
- ▶ Satellite Dishes/ Streaming?
- ▶ PILOTs - Payment in Lieu of Taxes



Other Taxes

- ▶ Business Licenses
- ▶ Cigarette Tax - RSMo 149.192 - Preempts any new tax
- ▶ Income Tax - Only St. Louis and Kansas City - RSMo. 92.105
- ▶ Motel Taxes - generally need special legislation
 - ▶ 5% bed tax - usually for economic development



Campaign Don'ts

- ▶ Public Funds cannot be used to advocate on ballot measures (115.646 RSMo.)
 - ▶ Can't say "vote for"
 - ▶ Opinions are probably a violation
- ▶ Does not apply to public officials speaking on their own behalf

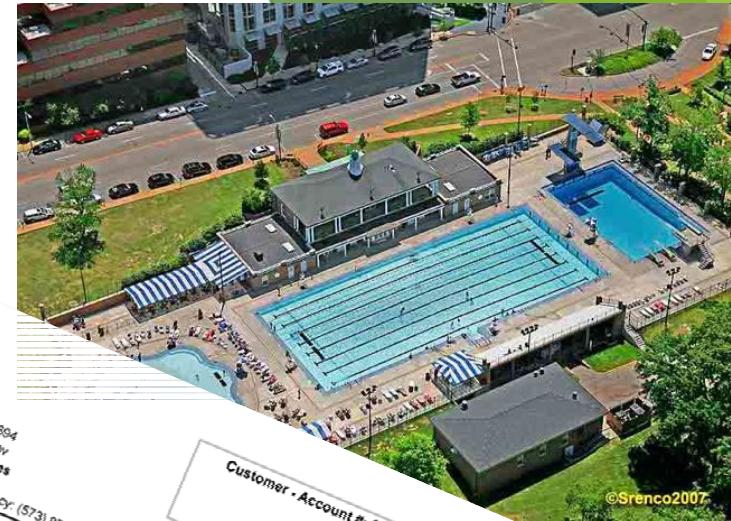
Campaign Do's


PAID FOR BY

- All campaign material - even if just educational - must include “PAID FOR BY” information.
 - Name of the city
 - Entity's principal officer's name & title
 - Mailing address

User Fees

- ▶ Bus Fare, Recreational Facility Fees, UTILITY BILLING
- ▶ Must be related to good/service
- ▶ May be greater than cost of good/service



 **City of Columbia, Missouri**
Utilities Department
701 E. Broadway
P.O. Box 1676
Columbia, MO 65205

Billing Questions:
(573) 874-7380
usa@comco.gov

*Pay Bill: (573) 874-7694
*Online - www.comco.gov
*Convenience fee applies

Utility after-hours emergency: (573) 875-2555

Notes about your service will appear here.

When you provide a check as payment, you authorize us to either use the information from your check to make a one-time electronic funds transfer from your account or to process the payment as a check transaction.

Customer - Account #:	00000000-0000000
Name:	Jane Doe,
John Doe,	
Service Address:	12345 First Street
Billing Date	8/17/2016
Previous Balance	\$598.98
Payment(s)	(\$598.98)
BALANCE FORWARD	\$0.00
NEW CHARGES are due 9/6/2016	\$652.55
TOTAL AMOUNT DUE	\$652.55

1.5% late fee applies if not paid by due date
1.5% late fee applies if not paid by due date



Rent

- ▶ What can be rented?
 - ▶ Right of Way
 - ▶ City Properties
 - ▶ Water Tower – Antennas
- ▶ What shouldn't be rented?
 - ▶ City Equipment



Fines

- Senate Bill 5 (2015)
 - 302.341 RSMo. - Annual general operating revenue received from fines, bond forfeitures, and court costs for municipal ordinance violations and minor traffic violations, including amended charges for any municipal ordinance violations and minor traffic violations cannot exceed twenty percent.



Other Revenue Sources

- ▶ Donations
- ▶ Gambling Receipts
- ▶ Sale of Property



WITH APPOLOGIES TO HASBRO DARKL CAGLE MAMBC.COM

**LAND
FOR SALE**

Financing Options

- ▶ General Obligation Bonds
- ▶ Revenue Bonds
- ▶ Lease Purchase Obligations



General Obligation Bonds

- ▶ May finance a project for any municipal purpose.
 - ▶ -streets, utility infrastructure, parks, libraries, city hall...etc...
- ▶ Full Faith and Credit, and Taxing Power
 - ▶ Payable from all legally available sources of revenue that the municipality is entitled to receive.
 - ▶ A court can require an increase in property taxes if needed to repay the bonds.

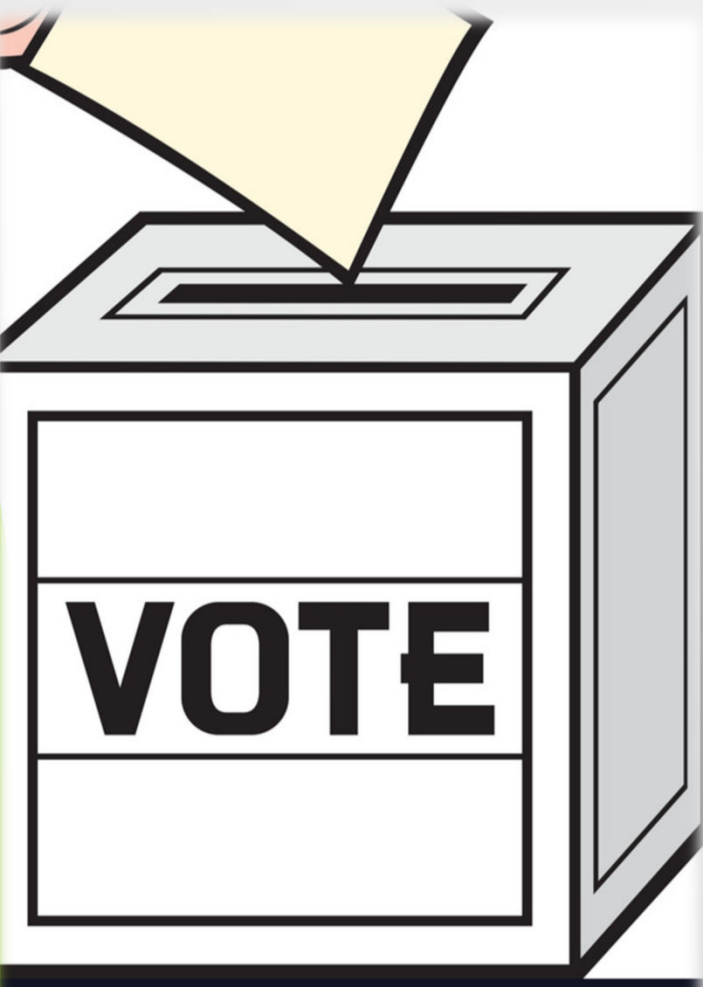
Tax Levy for General Obligation Bonds

- ▶ Must provide for the levy of an annual property tax that will be sufficient to pay the principal and interest on the bonds. (Will be in the bond ordinance.)
- ▶ May choose *not to collect* the tax in a particular year, so long as other revenue sources are sufficient to pay debt service.

Constitutional Debt Limits

- 10% general purposes -- Art. VI, Sec. 26(b)(c)
- 10% street & sewer improvements – Art. VI, Sec. 26(d)
- 10% municipally owned water and light plants – Art. VI, Sec. 26(e)
- But not more than 20% total

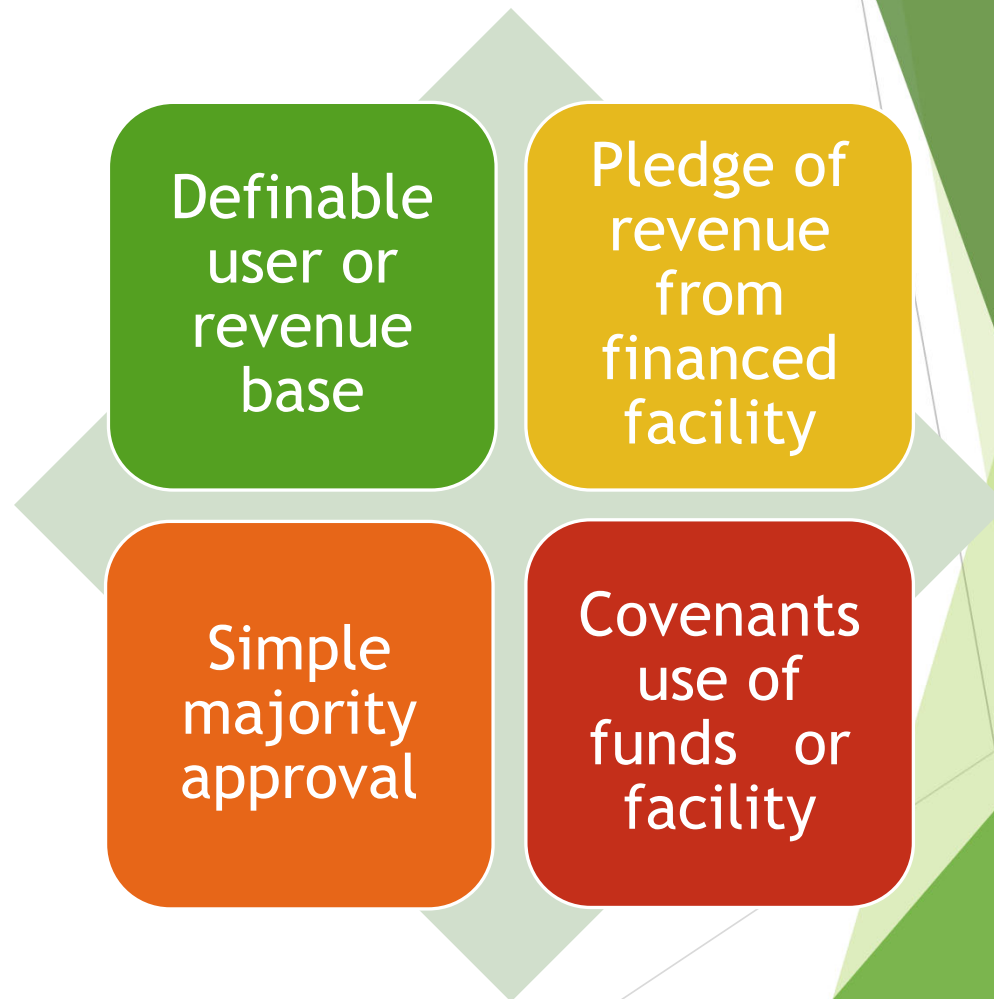




Voter-Approval Required for General Obligation Bonds

- ▶ Super-Majority Approval
 - ▶ 4/7th (57%) at general municipal, primary and general elections:
 - ▶ April each year.
 - ▶ August & November in even-numbered years.
 - ▶ 2/3rd (66%) for all other elections.

Revenue Bonds



Lease-Purchase Options

What type of financings?

- ▶ Leasehold Revenue Bonds
- ▶ Certificates of Participation
- ▶ Direct Lease

What type of projects?

- ▶ Acquisition of land and buildings
- ▶ Construction or improvement of buildings
- ▶ Acquisition of personal property



Lease-Purchase Obligations

No Voter Approval Required



Why?

- ▶ Not considered “indebtedness” under the Missouri Constitution

Lease-Purchase Obligations

Source of Funds for Repayment?

- ❖ Any available funds of the municipality
- ❖ Cannot levy taxes without voter approval
- ❖ Sales taxes approved by simple majority can be a source – but cannot be “pledged” – to repayment.

Comparison of Financing Methods

	G.O. Bonds	Sales Tax Revenue Bonds	Other Revenue Bonds	Lease-Purchase (Direct)	Lease-Purchase (COPs)
Voter Approval	Super Majority	Super Majority	Simple Majority	None ^(*)	None ^(*)
Debt Limit Applies	Yes	Yes	No	No	No
Interest Rates	Lowest	Lower than other revenue bonds	Lower than lease-purchase	Generally Higher	Generally lower than direct lease-purchase
Maximum Maturity	20 years	20 years	Varies - 35 years is common	Usually no limit other than federal tax law	Usually no limit other than federal tax law
Closing Costs	Lower	Lower	Usually higher than G.O. Bonds or Sales Tax Rev Bonds	Equipment-only: Lower (compares to G.O. Bonds) Real Property: Higher	Higher than others

CHART COURTESY – GILMORE BELL

* Election may be required for revenue source for repayment, such as a sales tax, which requires a simple majority for approval (so long as not “pledged” to repayment).

THANKS!



Missouri Municipal League

www.Mocities.com

(573) 635-9134 #4

Stuart Haynes

shaynes@mocities.com

