

# FAQ: Local Use Tax (Proposition U)

by MML Staff

## What is a use tax?

A use tax is a tax on the purchase of goods by Missouri residents from out-of-state vendors. Products exempt from the sales tax would be exempt from the use tax.

## What is the rate of the local use Tax?

The local use tax rate is the same rate as the total local sales tax rate. If the local sales tax is reduced or raised by voter approval, the local use tax shall also be reduced or raised by the same action.

## When must the local use be passed?

There is no deadline for the passage of the local use tax. However, cities that did not receive voter approval for continuation of the local sales tax on motor vehicles, trailers and outboard motors will lose this revenue November of 2022 unless the city passes a local use tax.

## Is the Missouri Department of Revenue currently collecting the local use tax and holding those funds for cities?

The local use tax is only imposed upon voter approval. The Missouri Department of Revenue (MoDOR) will not collect a local use tax until citizen's approval of the tax locally. Additionally, MoDOR is not holding any fund for cities to be turned over upon passage of the use tax.

## What if the city's voters turn down the use tax?

If the voters of the city do not authorize a local sales tax, the legislative body of the city may submit the sales tax proposal again at a later election. There is no limitation as to how many times the local sales tax proposal may be submitted to the electorate.

## When does a city use tax ordinance take effect?

If the city voters approve the local use tax, then the tax becomes effective on the first day of the calendar quarter which begins at least forty-five days after the Missouri Director of Revenue receives notice of adoption of the local use tax.

## How is the tax collected?

The online or catalog vendor will collect the local use tax, along with the state use tax, and remit both to the Missouri Department of Revenue (MoDOR).



## What does the state charge for the collection of the city use tax and how is the city tax accounted for?

The director of revenue is required to deposit all city use taxes collected in a special City Use Tax Trust Fund, less 1% for the cost of collection. The 1% deducted, less the cost of premiums on surety bonds, is deposited in the State General Revenue Fund. The director of revenue of the state is to keep an accurate record of the amount of money collected from each city.

## How much will my city receive from a local use tax?

It is difficult to accurately estimate the prospective revenue from a local use tax. A rough estimate of prior gross sales recorded as a use tax transaction per city can be found at <https://dor.mo.gov/public-reports/#pubtax>.

## What changes did the legislature make in the 2021 "Wayfair" legislation (SB 153)?

The major modifications the legislature made to Missouri's use tax law was to require all online and catalog vendors to collect and remit the local and state use tax, including those vendors that do not have a physical presence in the state. Also, online vendors who facilitate transaction for a third-party vendor must collect and remit local and state use taxes on those facilitated transactions. Essentially, the new law makes the collection and remittance of the use tax similar to the way the sales tax is collected and remitted to the Missouri Department of Revenue. 🍏

MML and the Municipal League of Metro St. Louis have collaborated on Use Tax *educational materials* for you to use in your city, and a separate *advocacy kit* for campaign committees.

Learn more about materials for Proposition U at:  
[www.mocities.com](http://www.mocities.com)

