

# PROPOSITION U

## LOCAL USE TAX

### KNOW THE FACTS!

Residents living in the City of Overland and many neighboring communities will have the opportunity to vote in the April 5 election on **Proposition U**: a proposal to enact a Local Use Tax on the purchase of online goods by Overland residents from out-of-state vendors such as Amazon, Overstock.com, or Wayfair.

The proposed local use tax would be applied to online purchases in the same way that a sales tax is paid on a local purchase. When individuals make purchases at retail stores in Overland, they pay the sales tax that is applicable at that location. Purchases by Overland residents from out-of-state, online vendors go untaxed. For the City of Overland to receive revenue from online sales, the City's voters must authorize its collection.

**Proposition U**, if approved by Overland voters, would allow the City to collect local use tax revenue at a rate of 1.25% (the same as the City's sales tax rate) on all online purchases from out-of-state vendors. The City estimates that **Proposition U** would generate more than \$600,000.00 in annual revenue that would be used to support city operations including; police services, street maintenance and repair, parks and recreation services and equipment and facility maintenance.



## **FREQUENTLY ASKED QUESTIONS (FAQS)**

### **What is a local use tax?**

A local use tax is a sales tax imposed on the purchase of goods online. If approved, the local use tax rate will mirror the local sales tax rate of 1.25% (or 1.25 cent) per \$100.00 purchase.

### **What is the Purpose of the Local Use Tax proposal?**

The purpose of the proposal is to assess the same tax rate on out-of-state purchases as local purchases.

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

**No.** The sales tax applies to purchases made at local retailers within Missouri, while the Use Tax applies to purchases made from out-of-state vendors. Purchases cannot fall into both groups and cannot be taxed twice. **This is NOT a Double Tax.**

### **Will Proposition U increase the local sales tax rate?**

**No.** This proposal will not increase or change our local sales tax. For the vast majority of purchases made by local residents, passing this proposal will not change anything. The use tax is applied to some out-of-state and online purchases and is only collected when sales taxes are not. The State of Missouri already collects the state use tax; this proposal simply adds our local portion. As a result, Out-of-state retailers will be subject to the same tax rate as local retailers

### **Don't Overland residents already pay sales taxes online to the City of Overland?**

**No.** Currently, only the state of Missouri can collect taxes from online purchases and those tax revenues are retained by the State and not shared with the cities throughout the State.



In 2021, the state legislature passed a new law that allows cities to collect taxes from online purchases beginning in 2023, but only if the voters of that City approve a local use tax.

### **Doesn't the City already levy a Local Use Tax?**

**No.** The City currently levies the following sales taxes;

- Quarter-Cent (\$.25) per \$100.00 purchase, Local Option Sales Tax for general operating expenses.
- Half-Cent (\$.50) per \$100.00 purchase, Capital Improvement Sales Tax for Capital Improvement expenses; including repair and maintenance of the City's streets and sidewalks and the purchase of equipment such as police cars and construction equipment.
- Half-Cent (\$.50) per \$100.00 purchase, Park Fund Sales Tax for general operating and capital improvement expenses related to the Overland Community Center and the City's park system.

### **Do other cities have a local use tax?**

**Yes.** Approximately half of all Missouri cities with populations of 2,000 or more already have a use tax in place. Overland is one of many St. Louis area cities placing a use tax on the ballot this year. Other cities placing Proposition U on the ballot include; Ballwin, Chesterfield, Ellisville, Manchester, and Sunset Hills.

St. Louis area cities that currently impose a Use Tax include; Breckenridge Hills, Brentwood, Clayton, Crestwood, Des Peres, Edmundson, Frontenac, Glendale, Hazelwood, Kirkwood, Maplewood, University City, and Woodson Terrace.

### **Does the Local Use Tax apply to purchases made by Commercial Businesses?**

**Yes.** As with the City's Sales Tax, the Local Use Tax will apply to purchases made by Commercial Businesses as well.



## **BALLOT LANGUAGE**

### **The ballot language for Proposition U in the City of Overland reads as follows;**

Shall the City of Overland, Missouri impose a 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

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."

## **QUESTIONS REGARDING THE LOCAL USE TAX**

Should you have questions regarding Local Use Tax Proposal, please contact Jason McConachie, City Administrator, at (314) 428-4321 or via email at [jmconachie@overlandmo.org](mailto:jmconachie@overlandmo.org).

