City of Rolla to Consider Use Tax Election in November

It is estimated that as much as 10 – 12% of all retail purchases are made online today. Out-of-state purchases, primarily through online retailers such as Amazon and Ebay, will continue to grow rapidly as consumer habits and purchasing options expand. The ease and convenience of online shopping is certainly enticing – and that’s a good thing. Unfortunately such purchases from out-of-state vendors only pay the State sales tax rate of 4.225% and only if such retailers have a physical presence in Missouri.

Currently the City of Rolla and Phelps County do not receive any sales tax on such purchases - purchases that were often previously made in local brick and mortar stores. The current situation places Rolla/Phelps County businesses at a competitive disadvantage of at least 3%. The often unintended result is that public safety services, streets and parks are impacted currently by a loss of revenues of $600,000 +/-.

The City of Rolla strives diligently to deliver quality public services and has benefited with quality growth throughout the Community over the last several years. However, the loss of sales tax revenue is becoming critical in being able to provide quality public safety services. Currently the City Police Department is struggling to fill police officer positions as some cities within 50 miles of Rolla are starting Police Officers by as much as 30% above current Rolla wages. In addition the City’s entire stock of mobile and handheld radios will be obsolete in the next year due to bandwidth changes and is facing replacement costs of $850,000. The City’s animal shelter is in dire need of replacement and while the community has responded very generously through donations we are at 50% of the funds needed to replace that inadequate facility. Fire truck purchases, training site improvements, safety equipment – the demands of quality public safety services simply outpace traditional sales tax growth.

The City Council and Staff have been working for months on a 10 year sustainability plan to properly anticipate resources and needs. The Use Tax, an equity issue for local businesses, appears to be an important first step. Officially the Use Tax is a tax (the equivalent rate of sales tax) on out-of-state purchases. Such a tax is imposed on where goods and products are consumed (used) as opposed to traditional sales tax which is imposed at the point of sale (store cash register).
On November 5th Rolla, and possibly Phelps County and the City of St. James, will ask voters to approve the Use Tax at the same rate as their sales tax rate (2.25% in Rolla). According to Mayor Lou Magdits, “The Use Tax is an important step in leveling the playing field for our local businesses who are forced to compete with an ever-growing internet world. The convenience of online shopping is wonderful – but asking out-of-state retailers to collect and remit a Use Tax allows Rolla businesses to remain competitive and to ensure quality municipal services. We look forward to partnering with the Rolla Area Chamber of Commerce on this important initiative.”