

HCS SB 981 -- SALES TAXES

SPONSOR: Callahan (Sutherland)

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 8 to 1.

This substitute changes the laws regarding city sales taxes and state and local sales and use taxes.

CITY SALES TAXES (Sections 94.510, 94.550, and 94.577, RSMo)

Currently, under the general city sales tax law, cities may impose a sales tax, upon voter approval, at a rate of one-half of 1%, seven-eighths of 1%, or 1%; and the City of St. Louis may impose the tax at a rate not to exceed one and three-eighths percent, for the benefit of the city. The substitute specifies that the combined rate of sales taxes adopted under the city sales tax law cannot exceed 2%. This change is not to be construed as a new tax or an increase in the current levy of an existing tax for the purpose of Article X, Section 22, of the Missouri Constitution, commonly known as the Hancock Amendment, which requires voter approval. Cities that have already imposed and collected taxes under the city sales tax law can continue to do so without voter approval as a continuation of a tax previously approved by the voters of the city.

Currently, under the capital improvements city sales tax law, cities not in St. Louis County may impose a sales tax, upon voter approval, at a rate of one-eighth, one-fourth, three-eighths, or one-half of 1% for the purpose of funding, operating, and maintaining capital improvements. Municipalities in charter counties are authorized to impose a capital improvements tax under Section 94.890. The substitute specifies that the combined rate of sales taxes adopted under the capital improvement city sales tax law cannot exceed 1%. This change is not to be construed as a new tax or an increase in the current levy of an existing tax for the purpose of the Hancock Amendment which requires voter approval. Cities that have already imposed and collected taxes under the city sales tax law can continue to do so without voter approval as a continuation of a tax previously approved by the voters of the city.

STATE AND LOCAL SALES AND USE TAXES

The substitute:

(1) Authorizes the City of Kansas City to impose, upon voter approval, a sales tax of one-eighth, one-fourth, three-eighths, or one-half of 1% for public safety activities, including

operations and capital improvements, and for the retirement of bonded indebtedness (Section 94.577);

(2) Clarifies that certain purchases made for resale are not to be considered as retail for sales and use tax purposes when the subsequent sale is taxed in the state or another state, is for resale, is excluded from tax, is subject to tax but is exempt, or is exempt in another state where the subsequent sale occurs (Section 144.018);

(3) Clarifies that operators of amusement parks and places of entertainment or recreation, including games or athletic events, must charge sales taxes on the amount of gross receipts charged for admission, but any subsequent sale of the admissions or seating accommodations will not be subject to the taxes if it was an arms length transaction for fair market value with an unaffiliated entity and clarifies that operators of hotels, motels, taverns, restaurants, drugstores, dining cars, tourist camps, or other similar businesses must charge sales taxes on the amount of gross receipts charged for all rooms, meals, and drinks furnished at the establishment, but any subsequent sale of those same rooms, meals, and drinks is exempt from sales and use taxes if it was an arms length transaction for fair market value with an unaffiliated entity (Section 144.018);

(4) Authorizes a state and local sales and use tax exemption for any sale of utilities at cost by a sports complex authority which is ultimately consumed in the operation of a sports complex leased to a professional sports team (Section 144.030);

(5) Exempts from state use taxes certain business donations of tangible personal property held as inventory given to a sales tax exempt organization (Section 144.817);

(6) Authorizes a state and local sales tax exemption for gratuities, whether mandatory or voluntary, provided with the receipt of property or services (Section 1); and

(7) Removes the amount charged by a travel agent or an intermediary from all hotel or motel local transient guest taxes or local occupancy taxes (Section 2).

The substitute contains an emergency clause for the provisions authorizing a sales tax exemption for gratuities and utilities for sports teams, clarifying sales that are not to be considered as retail for sales and use tax purposes, clarifying when certain operators must charge sales taxes, and removing amounts charged by a travel agent or intermediary.

FISCAL NOTE: Estimated Cost on General Revenue Fund of Unknown

exceeding \$100,000 in FY 2011, FY 2012, FY 2013. Estimated Cost on Other State Funds of Unknown in FY 2011, FY 2012, and FY 2013.

PROPOSERS: Supporters say that the bill allows the current sales tax revenue in Kansas City to also be used for costs for police officers if approved by the voters.

Testifying for the bill were Senator Callahan; and Greg Williams, City of Kansas City.

OPPOSERS: There was no opposition voiced to the committee.