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Missouri County Sales Tax Act: Its Impact on Nonmetropolitan Counties

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In 1979, Missouri property taxpayers paid a total of \$1.15 billion in property taxes to local governments. Legislation passed in the 1979 General Assembly may provide a means of substituting sales tax revenues for a portion of the property tax burden. This guide outlines the County Sales Tax Act and provides a means for evaluating the impact of this act on county residents and property taxes.

County sales tax act

Under the authority of Missouri Revised Statutes 67.500-67.545, any county may, upon approval by a majority of the county's voters, impose a county sales tax in conjunction with a property tax reduction for each year the sales tax is imposed. On Jan. 1, 1980, 24 Missouri counties began collecting a county sales tax (St. Louis County previously had imposed a county sales tax under different legislation).

The law provides that either a 1/4-, 3/8- or 1/2-cent sales tax may be imposed countywide in addition to all other sales taxes. The sales tax revenue collected is submitted to the State Director of Revenue, as are other sales taxes. The county sales tax is collected throughout the county and the sales tax revenues are distributed back to the county, less a 1 percent collection fee held by the state.

At least half of the sales tax revenue collected in a county must be used to reduce property taxes in the county. Actually, all of the revenue could be used to offset property taxes. The county court can propose and voters can approve that 50, 60, 70, 80, 90 or 100 percent be used to reduce property taxes. Regardless of the percentage approved, the county court would be free to use more to offset property taxes if it desires.

This offset feature does not apply to all property taxes. The county courts of first-class counties can levy a property tax of 35 cents per \$100 assessed valuation (3-1/2 mills) for the general county revenue fund and a property tax of 35 cents per \$100 assessed valuation for road purposes without a vote of county residents. The county courts of second-, third- and fourth-class counties can levy a property tax of 50 cents per \$100 assessed valuation (5 mills) for the general county revenue fund and a property tax of 35 cents per \$100 assessed valuation (3-1/2 mills) for road purposes without a vote of county residents. The offset feature of the county sales tax applies only to these levies. The offset feature does not apply to any reduction in a property tax levy voted upon and approved by the county's residents.

Collection of the county sales tax begins on Jan. 1 of the following year, provided notification to the State Director of Revenue of the election and approval of the voters occurs before Nov. 15. If notification occurs on or after Nov. 15, collection of the sales tax does not begin until Jan. 1 of the second following year.

Estimating county sales tax revenue

A county considering implementation of the county sales tax act would be interested in evaluating the impact of the tax on county residents and property taxes. One method of measuring these impacts is presented in the following example. To complete this procedure, the following information concerning your county is necessary:

- Total 3 percent state sales tax collections for the most recent year available from the Tax Division Administrative Office of the Missouri Department of Revenue. This does not include the 1/8 percent conservation sales tax.
- Assessed valuation for the most recent year available from the county assessor.

As an example, suppose a county had per-capita state sales tax of \$100, a per-capita income of \$6,000 in 1978, state sales tax collections of \$1,500,000 and an assessed valuation of \$40,000,000 in the most recent year. The impact of a 1/2-cent county sales tax with a 50 percent offset on property taxes can be estimated as follows.

The total revenue this tax would generate can be estimated using formula 1.

estimated county sales tax revenue = total 3 percent state sales tax for county x county sales tax rate x 0.99

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