

**EXPLANATION OF ST. LOUIS COUNTY SALES TAXES
AND THEIR DISTRIBUTIONS**

St. Louis County Municipal League
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At the current time there are four general purpose countywide sales taxes authorized for St. Louis County and four local option sales taxes exclusively for municipal use. The statutory cite, distribution and purpose of each tax, and the current status of each tax is listed below. A detailed explanation of each follows.

Countywide Taxes for Municipal Type Services (others exist for earmarked services)

Statutory Section	Distribution and Purpose of Tax	Tax Status
66.600-66.635	1 cent countywide tax- A/B distribution, as amended	Passed 1977
67.547	Up to 1/2 cent – 3/8 to County, 5/8 per capita countywide Proposition P allocated to police and public safety Municipalities will receive about \$50 per capita beginning 12/17	Passed 4/17
67.581	.275 cent tax to bring pool up to 95% of county average	Failed 6/88
67.700-67.724	Up to 1/2 cent – 80% for county capital improvements. 20% for stormwater countywide per capita	Failed 2/89

Municipal Taxes

Statutory Section	Distribution and Purpose of Tax	Tax Status
67.1305	Up to ½ cent for economic development	Passed by 15 municipalities
94.850	1/8 or 1/4 cent for general revenue	Passed by 45 municipalities
94.890	1/2 cent for capital improvements, including operations & maint	Passed by 79 municipalities
321.242	Up to 1/2 cent in cities with fire department	Passed by 17 municipalities
644.032-.033	Up to 1/2 cent for local parks and stormwater control	Passed by 58 municipalities

One Cent Countywide Sales Tax

The most complex distribution formula is that of the one cent countywide sales tax authorized by Section 66.600 to 66.635 RSMo. In 1970, cities received the first authority from the state legislature for a local sales tax, subject to voter approval. Numerous cities passed the tax. Later in the 1970's, St. Louis County sought similar authority for the unincorporated area. This would help reduce the countywide property tax, which was perceived as unfairly subsidizing just the unincorporated area. In 1977 the legislature allowed this, but stipulated that cities without a sales tax be included with the unincorporated area to create a joint pool of sales tax revenue to be shared by cities in the pool and the unincorporated area based on population. County voters approved this arrangement in 1978 and the countywide property tax was lowered. This resulted in unincorporated residents covering a higher percentage of service delivery costs for their area. (Many do not realize that the one cent sales tax is a county tax distributed to grandfathered "A" cities and the pool. It is no longer a municipal tax.) Beginning in 1978, most

cities with substantial commercial or industrial areas (grandfathered point-of-sale or “A” cities) received sales tax revenue from the businesses within their borders and generally have had higher per capita sales tax receipts than pool communities. The pool (or “B”) cities, which includes all unincorporated areas of St. Louis County, generally do not have large revenue producing facilities (with some exceptions). Their large population may result in lesser per capita sales. For these reasons, the “B” cities (and the County) pool all of the one cent sales tax revenue collected in their area and each receive an equal per capita share of the revenue based on their population.

This situation soon led to a great deal of controversy when “A” cities sought to annex areas with substantial sales tax revenue, such as Westport Plaza and Chesterfield Mall (prior to the incorporations of Maryland Heights and Chesterfield). If an “A” city annexed the territory, all of the sales tax revenue would go to that city so the pool cities and County would suffer financial losses. In 1984 the law was changed to “freeze” the boundaries of the point-of-sale cities effective in March 1984 so that all areas annexed after the date would still be considered a part of the pool and the annexing city would only receive sales tax based on the per capita amount for the resident living in the area (i.e. the pool amount), not from the sales at businesses.

For many years, cities could switch from group “A” to group “B” and vice versa – perhaps once every 10 years. If a city had never been an “A” city, it could not leave the pool without special legislation. However, in 1993, the law was changed to allow “A” cities that may lose a retail base to join the “B” pool, but prohibited pool cities that gain retail stores from becoming point-of-sale.

The sharing formula, enacted by the legislature in 1993 (at the urging of the County Executive and after much bargaining by a group of A cities and a group of pool cities and the County), provides for a sharing of sales tax money by those A cities (usually those with high per capita revenue) to cities in the sales tax pool and St. Louis County. The legislation included a logarithmic formula which causes cities with increasingly higher per capita revenue to share a greater percentage of that revenue with the pool. The sharing was also phased in over a period of three years to allow cities to better plan for revenue changes. For example, if a city was to share \$300,000 a year, the law was written so that \$100,000 was shared in 1994, \$200,000 in 1995 and the full \$300,000 in 1996. The result of this plan was that pool cities saw their per capita revenue increase from around \$80 in 1993 to \$140 in 2014. All cities were also given a new authority for a 1/8 or 1/4 cent sales tax (see below) in part to moderate the negative affects on higher revenue cities transferring funds to lower revenue cities. In 2014, the pool produced about \$120 base per capita and the sharing amount increased the per capita by \$20 for a total of \$140. In addition, the sharing of the new ¼ cent tax discussed below added about \$3.00 to this total per capita.

Also included in the legislation was a provision to require that, beginning in the year 2000, “A” cities with per capita revenues over the countywide average but less than 125% of the countywide average would be required to contribute a minimum of 7.5% of sales tax receipts to the pool. And for those “A” cities that have per capita receipts over 125% of the countywide average, the minimum deduction will be 12.5% of sales tax receipts.

In addition, the 1993 legislation contained a provision which allows St. Louis County to receive an “annexation adjustment” each year from the one cent sales tax. If full incorporation were to occur, the County would receive 10% of the total one cent sales tax amount each year. The County receives a portion of this 10% amount based on the percentage of the population that has been annexed or incorporated since 1984. This results in the County receiving about \$11.00 more per capita than the pool cities in 2014.

Legislation passed on 2016 guaranteed that pool cities would receive 50% of the sales revenue generated within their borders. This was expected to increase revenue for seven municipalities and freeze increases for the remainder of the pool participants until revenues grow

1/4 or 1/8 Cent Municipal Sales Tax

Because “A” cities were required to share a portion of their countywide sales tax money with the pool, the legislature enacted, as a part of the 1993 redistribution, an optional 1/4 or 1/8 cent municipal sales tax that voters could approve. The rationale was to allow “A” cities to recoup some, if not all, of their lost revenues, but any city may put the tax before voters.

This tax is collected on a point-of-sale basis and also requires sharing of the revenues. Any city that enacts the tax is required to share a minimum of 12.5% of the money with the pool cities. In addition, if a city that has passed the tax annexes territory, the city must share 50% of the money collected in the annexed area with County for five years, theoretically to help the County adjust to the service/revenue changes that may result from the annexation. Again, the tax is authorized for both “A” and “B” cities.

1/2 Cent Capital Improvements Sales Tax

In 1987 all Missouri cities except those in St. Louis County were given authority for a capital improvements sales tax. The City of Crestwood later challenged this exemption in court and won the right to put the tax on the ballot. Other cities soon followed Crestwood's lead. In 1995, the legislature gave specific authority for St. Louis County municipalities to enact a 1/2 cent capital improvements sales tax. This made the statute agree with court rulings. The tax is collected on a point-of-sale basis within the current city boundaries and any annexed areas.

As with most St. Louis County sales taxes, sharing stipulations were included in the law. Cities were given two options for receiving the money. Option I allows a city to retain 85% of the revenue collected within its borders and share 15% with those cities choosing Option II. Those selecting Option II would pool all of their receipts, added to 15% from the Option I cities, and receive revenue on a per capita basis from this pool. The revenue is only shared with cities which pass the tax and added about \$55 per capita to the cities receiving a share in 2014.

Fire Department Sales Tax

In 1999 the General Assembly authorized cities with a fire department to levy a sales tax of up to 1/4 cent for fire services. It is not clear if this includes cities that contract for fire service. The tax is collected on a point of sale basis and there are no sharing provisions.

Parks and Stormwater Sales Tax

In 1995 the General Assembly also enacted legislation to allow any city in the State to levy a sales tax of up to 1/2 cent for municipal parks and stormwater control. This was passed by rural legislators who did not want to share much of the 1/8 cent conservation or 1/10 cent parks/soil conservation sales taxes. The tax is collected on a point-of-sale basis within the current city borders and any annexed areas. There are no sharing provisions associated with this tax.

Economic Development Sales Tax

In 2005, the General Assembly authorized cities to levy a sales tax of up to 1/2 cent for economic development purposes. No revenue generated by the tax shall be used for retail projects, except in downtown or historic areas. No more than 25% may be used for administrative costs. At least 20% must be used for projects related to long term economic development preparation. Cities passing the tax are required to establish a 5-member economic development board to approve plans related to the use of the tax.

Local Use Taxes (Typically applies to some goods coming from vendors in other states but purchased by Missouri businesses or citizens)

Just as there are state, city and county sales taxes, there are city and county "use" taxes that may apply to goods that are purchased by Missourians by phone, catalog, internet, etc. from vendors in other states. Each city or county may ask voters to approve a city "use tax" on out-of-state purchases equal to the city sales tax applicable to local stores. The use tax is simply a sales tax applied to purchases made from vendors in other states. It is paid predominantly by businesses. Local use taxes have been approved by 38 municipalities as of August 2021.

County Use Tax with sharing with municipalities (if approved by voters)

In the 1993 compromise noted early in this paper, the County local use tax was allocated to cities and St. Louis County (2/3 to cities representing 1 cent and 1/3 to County representing 1/2 cent transportation tax) with the goal of raising revenues for lower sales tax cities from the one-cent tax up to the countywide average. This goal was initially accomplished but then the tax was challenged by large corporations and found unconstitutional in 1996 due to a technicality (the local use tax established at a fixed rate statewide did not match the local sales taxes which vary from city to city). The legislature "fixed" the problem by allowing any jurisdiction to enact its own use tax and many locations re-enacted the local use tax with voter approval. It failed in St. Louis County in August 1996. The League and County supported an effort to reinstate the countywide use tax in April 2001 but it was defeated by voters. It would have generated an estimated \$17.5 million for the lower per capita cities and St. Louis County and \$17.5 million for countywide economic development. The use tax legislation was revised to allow for

repairs and upgrades to county and municipal emergency communications systems, but this proposal was defeated by voters in November 2008. (A subsequent 1/10 cent countywide sales tax (not use tax) for this purpose was approved in November 2009).

*Note on vehicle sales tax: Cars, trucks, boats, motors, etc. are taxed at the rate in the city where the buyer resides. 25% of the one cent tax is allocated to the city where the dealer is located and 75% sent to the city of the purchaser under a complex formula used by the state. Contact the League office for more information.