

# Revenue Sources & Fundamentals of Economic Development



LAUBER MUNICIPAL LAW, LLC

**MML Annual Conference**

**September 17, 2018**

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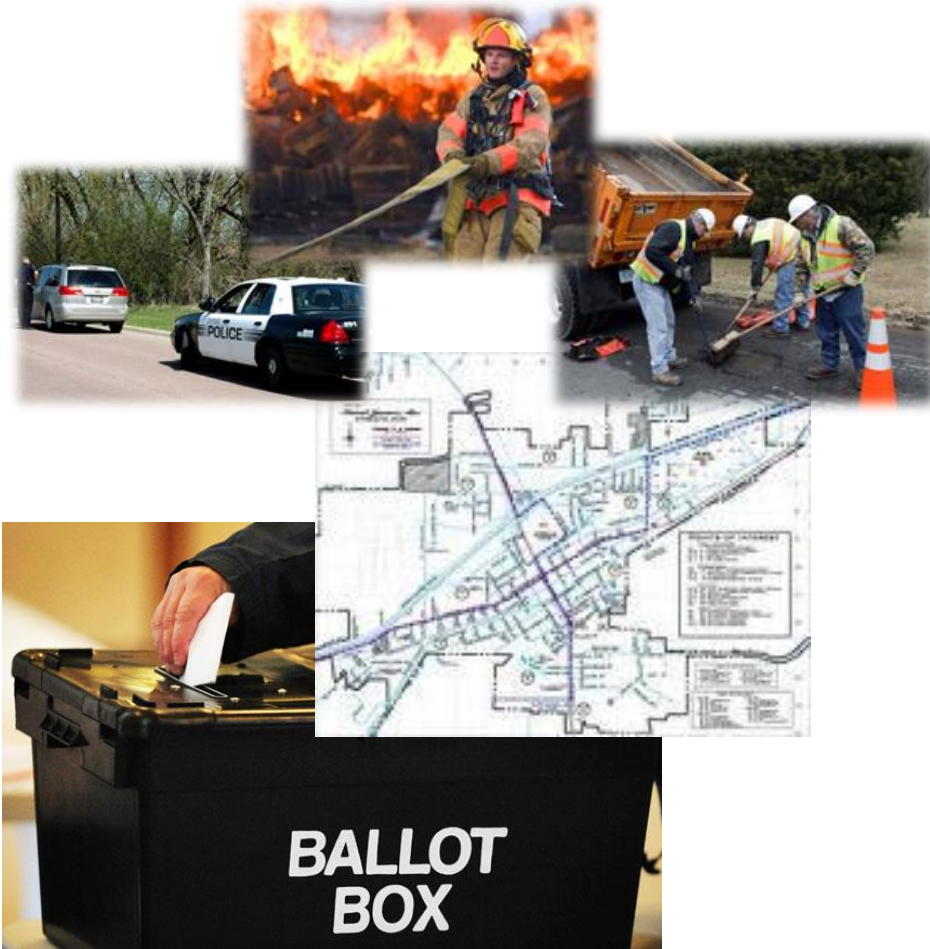
# Sources of Authority- the Missouri Constitution

- ④ States have the inherent right to raise revenue by taxation
- ④ The Missouri Constitution serves as a limitation of power (not a grant of power)
- ④ Where no restrictions exist, the State's power to tax is unlimited
- ④ This power is vested in the General Assembly



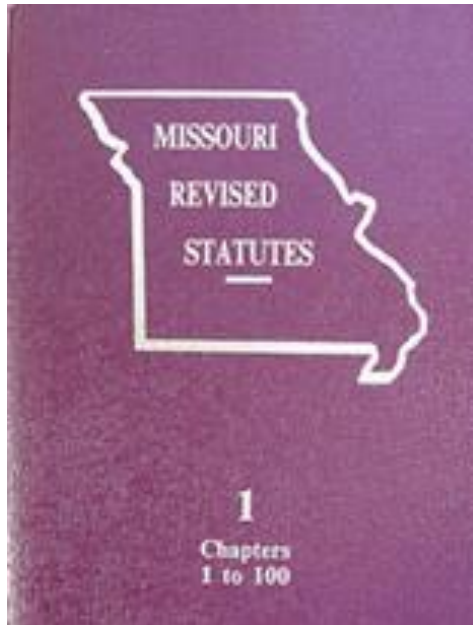
**Constitution  
State of Missouri**

# Constitutional Limitations



- Ⓜ Must be for public purposes
- Ⓜ Must be uniform on the same class of subjects within the territorial limits of the taxing entity
- Ⓜ Is a vote of the people required?

# Sources of Authority- the Revised Statutes of Missouri



- Ⓜ Cities have no inherent power to impose taxes
- Ⓜ Dillon's Rule- cities possess only those powers:
  - Ⓜ expressly granted
  - Ⓜ necessarily or fairly implied in or incidental to express grants
  - Ⓜ essential to the declared objects of the municipality
- Ⓜ Home rule exception
- Ⓜ General Assembly grants powers to tax through state statutes– the Revised Statutes of Missouri (RSMo)

# Types of Revenue-Generating Municipal Activity

## Governmental

- ④ Taxation
  - ④ Sales/use
  - ④ Property
  - ④ Licenses
  - ④ Franchises
  - ④ Other
- ④ Fines and penalties
- ④ Administrative service fees
- ④ Impact fees

## Proprietary

- ④ Enterprise funds
  - ④ Water & sewer
  - ④ Electricity
  - ④ Solid waste disposal
- ④ Use or sale of municipal property
  - ④ Community Center
  - ④ Parks
  - ④ Investments

# Taxation - Sales Tax

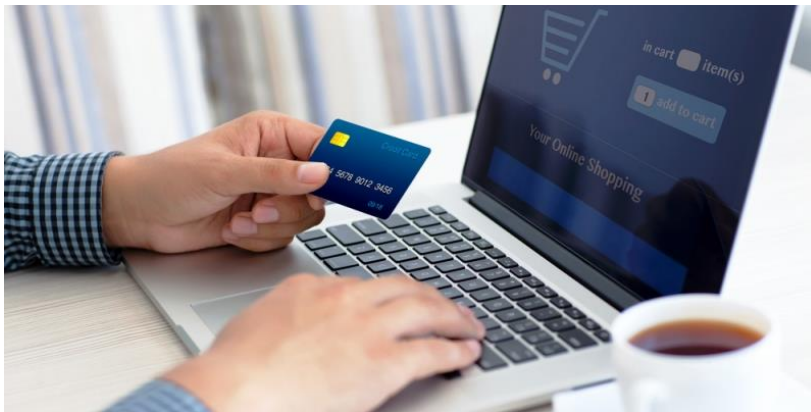


## Types of Sales Taxes

General 94.500 to 94.550, RSMo	1/2, 7/8, 1 cent
Capital Improvements 94.575 to 94.577, RSMo	1/8, 1/4, 3/8, or 1/2 cent
Transportation 94.700 to 94.755, RSMo	Not to exceed 1/2 cent
Parks & Rec. / Storm Water 644.032 & 644.033, RSMo	Not to exceed 1/2 cent
Fire Protection 321.242, RSMo	Not to exceed 1/4 cent
Economic Development 67.1305, RSMo	Not to exceed 1/2 cent



# Taxation - Use Tax



- ④ Tax on purchases made through out-of-state vendors
- ④ Rate of tax equals sales tax
- ④ Companies with a nexus in Missouri are required to remit tax
- ④ No one pays sales tax and use tax on a single purchase
- ④ Other purchases on honor system

# Vehicle Sales Tax

- Ⓜ Requires a vote to keep applying sales tax to vehicle purchases other than those from a licensed Missouri dealer (e.g., out-of-state and person-to-person)
- Ⓜ **Must vote by November 2022 or stop collecting on March 1, 2023**
- Ⓜ Has already been voted on by many cities
- Ⓜ Must notify DOR within 10 days after vote
- Ⓜ Not required if the city already has a use tax





# Taxation-Property Tax

- ④ Cities are limited to \$1 per \$100 of assessed valuation
- ④ Villages are limited \$.50 per \$100 of assessed valuation
- ④ Special provision allows \$.30 over the above limits but only for 4 years and only with 2/3 voter approval
- ④ Other property tax levies
  - ④ Park
  - ④ Library
  - ④ Hospital
  - ④ Public Health



# Utility Taxes



Ⓜ On average makes up 19% of city discretionary revenue



Ⓜ Generally set at around 5 percent of gross revenue



# Municipal Motor Vehicle License Tax

- Ⓜ Was used as a means for cities to insure collection of property tax
- Ⓜ Often implemented as a “sticker” program
- Ⓜ Most cities have since abolished— now contract with the county to collect personal property taxes
- Ⓜ Tax may be a flat fee or based on horsepower



# Other Taxes

## Business Licenses

- ④ Section 71.610, RSMo
  - ④ Restricts municipalities from imposing business license taxes unless the business is specifically named in the city's charter or a state statute
- ④ Section 94.270, RSMo (4<sup>th</sup> Class)
- ④ Section 94.110, RSMo (3<sup>rd</sup> Class)



## Liquor Licenses

- ④ Municipalities authorized to charge up to 1 and 1/2 times the state rate (RSMo 311.220)
- ④ License fees vary based upon the type of license – be it restaurant, beer tavern, retail sales etc...set by State
- ④ Can be also be used merely to regulate
  - ④ Many cities limit number of licenses on the basis of population



# Other Taxes

## Cigarette Tax

- Ⓜ Cigarette Taxes are preempted by 149.192, RSMo
- Ⓜ Municipalities cannot impose new taxes on cigarettes and tobacco products
- Ⓜ If you had one when this was adopted, you cannot raise the amount of the tax now
- Ⓜ Any tax levied by a municipality shall not exceed the amount of tax levied on September 30, 1993



## Lodging Tax

- Ⓜ Used for efforts to promote tourism and/or economic development
- Ⓜ Requires either specific statute or charter
- Ⓜ Remember Dillon's rule





# Municipal Court Revenue

- ④ Limited to 20% of “annual general operating revenue”
- ④ Defined as “revenue that can be used to pay any bill or obligation of a county, city, town, or village, including general sales tax; general use tax; general property tax; fees from licenses and permits; unrestricted user fees; fines, court costs, bond forfeitures, and penalties.”



# Service and Impact Fees

## Service Fees

- ④ Fees often charged to and paid by individuals, but benefit the public
  - ④ Inspection fees
  - ④ Certifications
  - ④ Fees to offset the cost of individual requests of city resources

## Impact Fees

- ④ Fees designed to ensure that new development pay its fair share of infrastructure needs it creates
  - ④ Must be a connection between the use and fee
  - ④ Must be a proportional fee based on the impact of the development

# Enterprise Funds

- ④ Operation of city utilities
  - ④ Water
  - ④ Sewer
  - ④ Electricity
  - ④ Gas
- ④ City pool
- ④ Landfill
- ④ Community Center

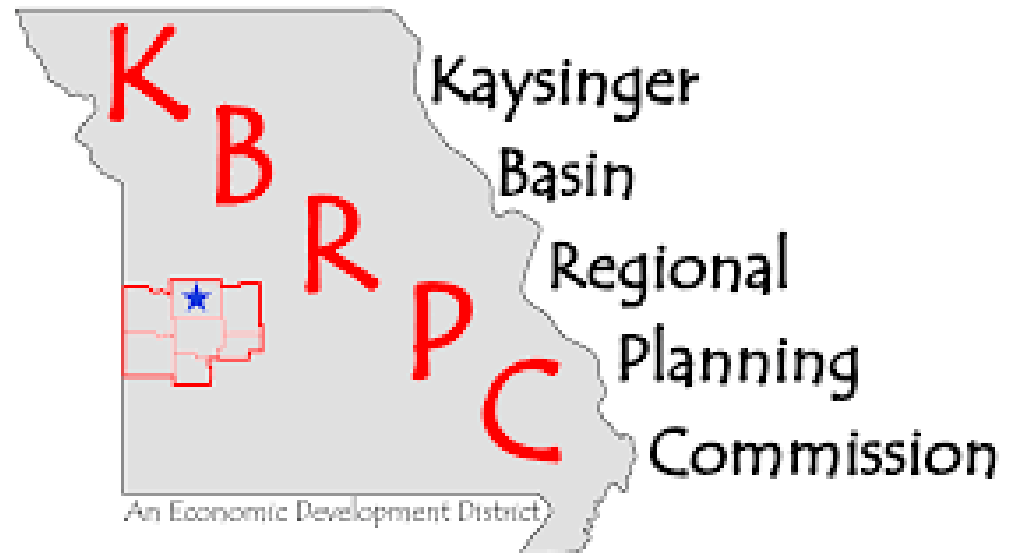


CITY  UTILITIES  
*Bringing Power Home.*



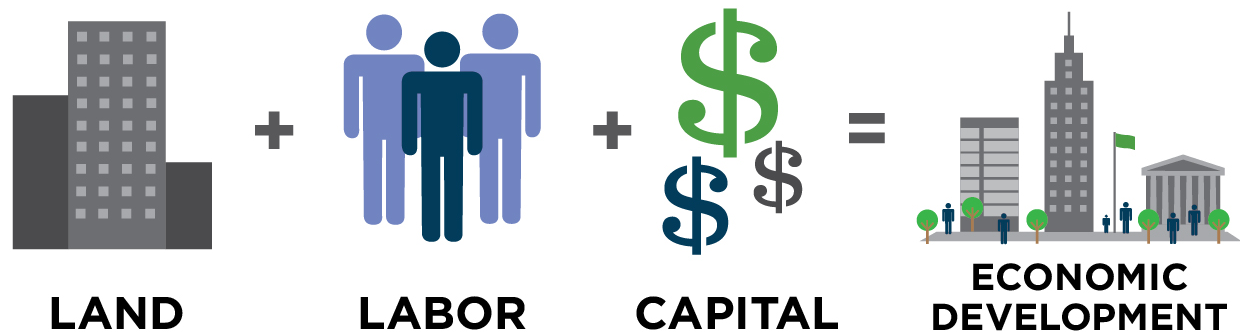
# Grants

- ④ State, federal, private
- ④ Matching or non-matching
- ④ Grant writers
- ④ Regional planning commissions



# Economic Developers

- Ⓜ Could be existing city officials or separate entity/contractor
- Ⓜ Regional planning commissions
- Ⓜ Chambers of commerce
- Ⓜ Coordinate with other cities and counties





# Resources

- ④ Missouri DED
- ④ Missouri Partnership
- ④ Missouri Main Street Connection
- ④ Regional planning commissions
- ④ Other cities



# Marketing

- Ⓜ Is your town attractive to businesses?
  - Ⓜ How can you maximize your location?
  - Ⓜ What can you offer besides incentives?
  - Ⓜ Have you talked with area bankers, real estate agents, business owners, etc., to identify needs?
- Ⓜ Is your town attractive to people?
  - Ⓜ Parks, festivals, rodeos, bike races, concerts, etc.
  - Ⓜ Engage your citizens and find out what they want
  - Ⓜ Clean up nuisances, abandoned buildings, etc.
  - Ⓜ Work with your schools

# Marketing

AS THE FASTEST-GROWING CITY IN JACKSON COUNTY, MO, GRANDVIEW IS PROGRESSIVE AND RESOURCEFUL,

READY TO TAKE ON NEW PROJECTS AND DEVELOP IMPORTANT PUBLIC-PRIVATE PARTNERSHIPS.

**OPEN  
FOR  
BUSINESS**

EXPANDING BUSINESSES IN THE INDUSTRIAL DISTRICT, NEW BUSINESSES, AND RETAIL DEVELOPMENTS ARE REVITALIZING GRANDVIEW.

GRANDVIEW OFFERS A VARIETY OF FINANCIAL INCENTIVES FOR BUSINESSES CONSIDERING TO RELOCATE OR EXPAND HERE.

# Sales Tax Reimbursement Agreements

- Ⓜ Section 70.220, RSMo
- Ⓜ Any municipality is authorized to contract with any other political subdivision, private person, or firm for the planning, development, construction, acquisition, or operation of any public improvement or facility
- Ⓜ Municipality agrees to reimburse a developer for the costs of certain improvements, plus interest, for the costs of certain public improvements paid from incremental sales tax revenues generated by the project
- Ⓜ Obligation must be year-to-year and is subject to annual appropriation
- Ⓜ Prevailing wage, payment and performance bonds and indemnification of the governing body will apply

# Case Study: Windsor, Missouri







LAUBER MUNICIPAL LAW, LLC

## Revenue Sources & Fundamentals of Economic Development

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## LAUBER MUNICIPAL LAW, LLC

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### About the Firm

Lauber Municipal Law, LLC, was established for the purpose of serving local governmental entities of all types and sizes. We can serve your community as city attorney or as special counsel to supplement your existing city attorney.

Our goal through Lauber Municipal Law, LLC, is to meld our previous experience together to provide a high-quality, “big firm” work product, while providing the flexibility, personal responsiveness, and cost effectiveness of a small firm. We completely understand the need of public entities to obtain the most effective representation possible while considering the fact that these services are compensated from a budget made up of public funds. We proudly stand by our motto:: Serving those who serve the public.