



New Year, New Sales Taxes

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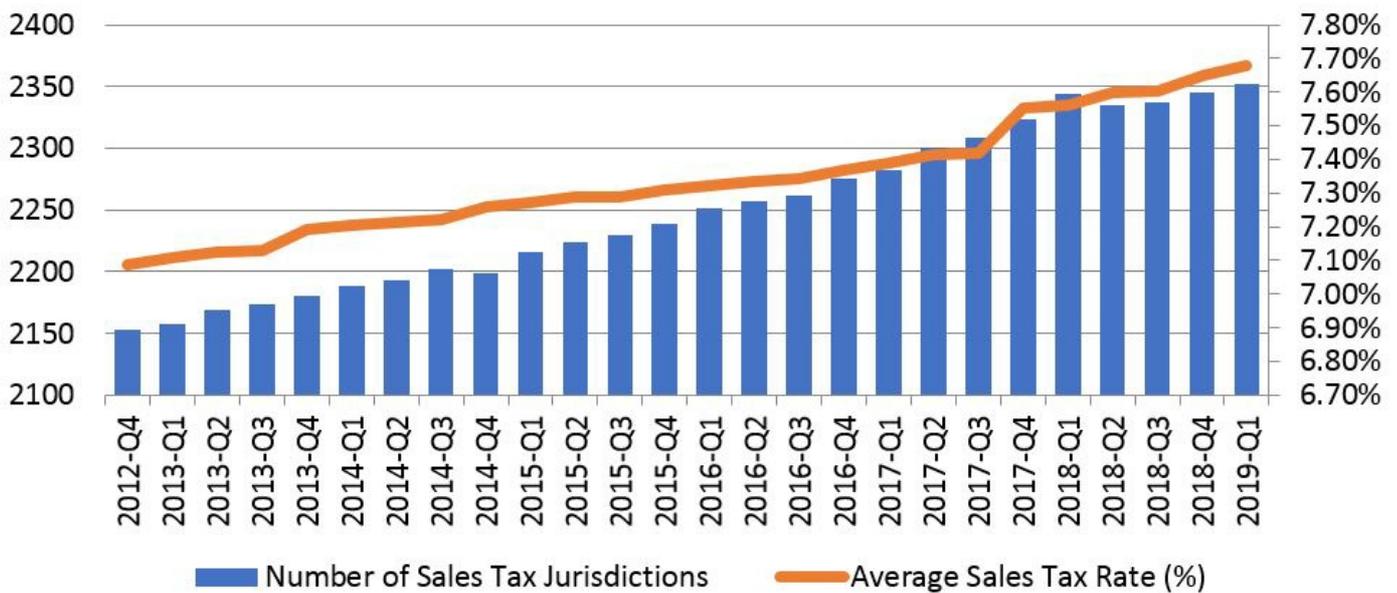
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By: Graham Renz

By now it shouldn't surprise us. As we head into the new year, governments across Missouri are getting ready to collect more in sales taxes.

Over the past eight or so years, the number of distinct sales tax jurisdictions in Missouri has grown by more than 9 percent—a total of 199 new jurisdictions created. This growth is caused by several factors, but mostly by new and overlapping special taxing districts, such as ambulance districts, levee districts, and, most prominently, [transportation development districts \(TDDs\)](#) and [community improvement districts \(CIDs\)](#). These districts are formed to collect sales and other taxes to fund various improvements and services. Unfortunately, TDDs and CIDs usually just [help pad developers' bottom lines](#).

Statewide Sales Tax Jurisdiction and Rate Growth



Source: Missouri Department of Revenue, [Sales/Use Tax Rate Tables](#), numerous years.

As the figure above shows, with the increase in sales tax jurisdictions comes an increase in the average sales tax rate. This means that as more and more jurisdictions come on the scene, taxpayers cough up more and more money.

However, just because the average sales tax rate has been on the rise, it doesn't necessarily mean all Missourians are paying more in sales taxes. As noted above, the driving force behind the rate increases has been the creation and overlapping of special taxing districts, which usually encompass relatively limited geographic areas. And although the TDDs and CIDs that are driving the rate growth are all over the state, about two-thirds are in the St. Louis and Kansas City metro areas, where much of the state's population lives. So, overall, even if some Missourians are not significantly affected by the recent rate increases, *many* are.

Unfortunately, as things stand there is little taxpayers can do to curb the state's sales tax rate growth. That's because many if not most TDD and CID taxes can be established without the approval of the general public. These districts can be formed by property owners—often developers—meaning the taxpaying public has no say in whether the rate hikes become law. Real reform would have to come in the form of significant changes to the laws governing TDDs and CIDs. So, as the new year gets going and the legislature meets in Jefferson City, lawmakers keen on lowering (regressive) taxes should take some time to think about redesigning the laws that allow these districts to be established.

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