



# ONLINE USE TAX: WAYFAIR

## At a Glance:

A new initiative that protects brick and mortar business while responsibly saving for Missouri's future.



### Background:

Missouri's brick and mortar businesses face a considerable disadvantage in the 21st century when competing with online sales. Due to an inconsistency in Missouri's tax code, these businesses, particularly small businesses, pay a sales tax not required of online retailers. Since the Supreme Court decision on Wayfair (*South Dakota v. Wayfair*), 42 states started collecting an online use tax.

Missouri has the seventh largest road system in the U.S., and only 48th nationally in revenue per mile. Any additional revenue streams could be put to use improving our infrastructure and providing financial security.

Currently, Missouri's Budget Reserve Fund provides a savings mechanism with restrictions that prohibit it from being used in the case of an economic downturn. Becoming fiscally responsible will require additional cash reserve funds. SB 872 and HB 2172 would provide greater financial security by the creation of a second long-term reserve fund through an Online Use Tax. Notably, this legislation is a result of Governor Mike Parson's emphasis on fiscal responsibility.

### Opportunity:


SB 872 and HB 2172 will protect brick and mortar business by establishing a new Online Use Tax to reform a tax disadvantage, and allocate use revenue to a new Cash Operating Expense Fund designed to strengthen Missouri's long-term financial health.

SB 858 and HB 2189 will provide Missouri greater security in times of economic downturn, low revenue, or disaster, by responsibly saving for Missouri's future with the formation of a new Cash Operating Expense Fund. Once the Cash Operating Expense Fund has exceeded 2.5% of the previous year's net general revenue collections, the excess will transfer to the Governor's Transportation Cost-Share Program and to the Office of Administration for bond debt retirement.

### Potential Impact:

- An Online Use Tax would even the playing field for Missouri's brick and mortar businesses and enables a 21st century tax code.
- Under this legislation, an Online Use Tax not only creates long-term fiscal responsibility in a cash operating expense fund, it would also fund additional infrastructure projects across Missouri.

**42** OTHER STATES COLLECT AN ONLINE USE TAX

CASH OPERATING EXPENSE FUND AT **2.5%** OF TOTAL STATE REVENUE IN SAVINGS 

**532,277**  SMALL BUSINESSES

**10,385** BRIDGES 

**7** TH LARGEST ROAD SYSTEM IN THE U.S.