

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

Department of Revenue

Sales and Use Tax

Report No. 2022-037

June 2022

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Department of Revenue Sales and Use Tax

Timely Sales and Use Tax Discounts

As noted in multiple previous audit reports, state laws allowing retailers to retain a portion of sales and use taxes collected if they remit the taxes to the Department of Revenue (DOR) timely result in the state and local governments forgoing significant revenues. Missouri's timely sales and use tax discount is the most generous such discount in the nation, and significantly benefits the state's largest retailers. In addition, the DOR does not routinely report to the General Assembly the amount of timely sales and use tax discounts retained by businesses.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Department of Revenue

Sales and Use Tax

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

Honorable Michael L. Parson, Governor
and
Members of the General Assembly
and
Wayne Wallingford, Director
Department of Revenue
Jefferson City, Missouri

We have audited certain operations of the Department of Revenue, sales and use tax collections, as required by Section 32.087, RSMo, and in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2021. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions.
2. Evaluate the department's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

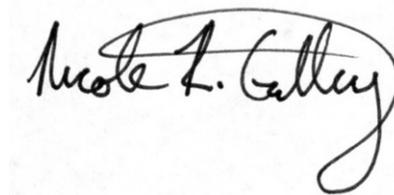
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; analyzing comparative data obtained from internal sources; and testing selected transactions. We reviewed sales and use tax collections and distributions, and performed sample testing of sales and use tax transactions using haphazard and judgment selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

Except as discussed in the following paragraph, we conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

Government Auditing Standards require us to obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations included in the audit report. Due to the nature of this report, and due to the finding being legislative in nature, we were unable to obtain views of responsible officials for the findings, conclusions, and recommendations outlined in the Management Advisory Report. We obtained the views of responsible Department of Revenue officials and included them in the report.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of the Department of Revenue, sales and use tax collections.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

Department of Revenue

Sales and Use Tax

Introduction

Background

The state's sales tax is imposed on the purchase price of tangible personal property or taxable services sold at retail. Use tax is imposed on the storage, use, or consumption of tangible personal property in this state. Cities and counties may impose a local sales and use tax. Special taxing districts (such as transportation development districts) may also impose additional sales taxes. State and local sales and use taxes are collected by the Department of Revenue (DOR). The DOR then distributes the local sales and use taxes to the applicable political subdivisions.

Sales and use tax receipts collected from businesses and motor vehicle sales tax receipts collected from businesses and individuals are deposited into various state and local funds. Marine and ATV sales and use tax collections are deposited into the same funds as state sales and use tax. Motor vehicle leasing sales tax collections are deposited into the same funds as motor vehicle sales tax.

For operating purposes, the DOR has been charged with the responsibility of administering transactions in the following funds and accounts.

State Funds

The State Treasurer, as fund custodian, and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly for all state funds.

General Revenue Fund: This fund, authorized by Section 144.700, RSMo, receives collections from a general 3 percent state sales and use tax. State sales tax is collected pursuant to Sections 144.010 to 144.527, RSMo, and state use tax is collected pursuant to Sections 144.600 to 144.746, RSMo. Retail sales of food are not subject to the 3 percent tax as provided by Section 144.014, RSMo. This fund also receives payments from common carriers in interstate air transportation, as authorized by Section 144.807, RSMo. In addition, the General Revenue Fund pays all motor vehicle sales tax refunds and receives motor vehicle sales tax collections as reimbursement from other state funds for their applicable share of the refunds.

Aviation Trust Fund: This fund, authorized by Section 144.805, RSMo, receives collections from a sales and use tax on aviation jet fuel from common carriers. These taxes are paid as a result of exemptions to General Revenue sales tax. The exemptions are a result of direct-pay agreements between common carriers and the DOR.

Conservation Commission Fund: This fund, authorized by Section 254.020, RSMo, receives collections of the 0.125 percent state sales and use tax and motor vehicle sales tax provided for in Article IV, Section 43(a), Missouri Constitution.



Department of Revenue
Sales and Use Tax
Introduction

State Highways and Transportation Department Fund: This fund received 75 percent of the collections from the 4 percent highway use tax during fiscal years 2013 and 2012. Under Section 144.020, RSMo, all motor vehicle transactions are now assessed a sales tax, which goes into the State Road Fund and the State Road Bond Fund. This fund continues to receive some residual highway use tax collections.

Parks Sales Tax Fund: This fund, authorized by Article IV, Section 47(a) and 47(b), Missouri Constitution, receives 50 percent of the collections from a 0.1 percent state sales and use tax and motor vehicle sales tax.

School District Trust Fund: This fund, authorized by Section 144.701, RSMo, receives collections from a 1 percent state sales and use tax pursuant to Section 144.701, RSMo. Retail sales of food are subject to a 1 percent tax to be deposited into this fund as provided by Section 144.014, RSMo. In addition, this fund receives 12.5 percent of collections from the 4 percent motor vehicles sales tax pursuant to Article IV, Section 30(b)(2), Missouri Constitution.

Soil and Water Sales Tax Fund: This fund, authorized by Article IV, Section 47(a) and 47(b), Missouri Constitution, receives 50 percent of the collections from a 0.1 percent state sales and use tax and motor vehicle sales tax.

State Road Bond Fund: This fund, authorized by Article IV, Section 30(b), Missouri Constitution, receives 37.5 percent of the collections from the 4 percent motor vehicle sales tax.

State Road Fund and State Transportation Fund: These funds, authorized by Article IV, Section 30(b), Missouri Constitution, receive 37.5 percent of the collections from the 4 percent motor vehicle sales tax, which is deposited 36.5 percent to the State Road Fund and 1 percent to the State Transportation Fund.

Local Funds

Sales and use tax collections for local funds are deposited into interest-bearing bank accounts until distributed. Subsequently 99 percent of the collections and earned interest are distributed to the various political subdivisions with the remaining 1 percent going to the General Revenue Fund for a collection fee, except for the Local Fuel Tax and Bond Trust Fund, which has no collection fee withheld from distributions to the fund. The DOR has sole responsibility for maintaining and disbursing fund resources for all local funds.

Local Fuel Tax and Bond Trust Fund: This fund, authorized by Article IV, Section 30(b), Missouri Constitution, receives 12.5 percent of the collections from the 4 percent motor vehicle sales tax. In addition, this fund receives collections from the motor fuel tax authorized by Section 142.803, RSMo.



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Introduction

Local Sales and Use Tax Trust Fund: This fund receives collections generated from local sales taxes imposed by local political subdivisions, as authorized by Chapters 66, 67, 70, 92, 94, 162, 190, 238, 321, and 644, RSMo. In addition, this fund receives collections generated by a use tax, authorized by Section 144.757, RSMo, based on the local sales tax in effect, upon all transactions subject to taxes imposed under Sections 144.600 to 144.745, RSMo, except as otherwise provided. Net taxes and interest are subsequently distributed to the cities and counties.

Custodial Accounts

The DOR has been charged with the responsibility of administering transactions in the custodial accounts. Except for the Sales Tax Bond Account held by the State Treasurer, actual custody of the resources in the accounts is with the DOR. Collections for the custodial accounts held by the DOR are deposited in interest-bearing bank accounts.

Compliance Clearing Account: Prior to the implementation of the tax integrated system, this account received tax payments from taxpayer audits. The DOR held these payments in this account pending final audit review. Depending on the results of the audit review, the DOR transferred the tax payment to the appropriate state and local funds or issued a refund to the taxpayer. The DOR now bills the taxpayer upon final audit review. This account was closed in December 2020.

Motor Vehicle Clearing Account: This account receives collections from motor vehicle agent offices and the central office for various taxes and fees. These receipts are subsequently transferred to various state and local funds.

Sales Tax Bond Account: The DOR receives cash bonds posted by taxpayers as authorized by Section 144.087, RSMo. All bond collections are deposited in the General Revenue Fund and reported by the DOR in this account. Cash bonds and related interest are to be refunded to the taxpayer after 1 year if the taxpayer is determined to have satisfactory tax compliance and if the bond was posted before January 1, 1984. If the bond was posted on or after January 1, 1984, the Attorney General has determined that no interest should be refunded. In the event of uncollectible sales tax liabilities, the bonds and related interest, if any, are forfeited to the DOR. The department subsequently distributes the money to the state and the appropriate political subdivisions. Effective August 28, 2018, a bond is no longer required to obtain a retail sales license, but may be required of licensees in default of filing a return and paying taxes when due.



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Introduction

Historical sales and use tax trends and information

As shown in Figure 1, when adjusted for inflation, state and local sales and use tax collections have increased for most years between fiscal year 2012 and fiscal year 2021. Adjusted state sales and use tax collections increased from \$3.63 billion to \$4.19 billion (15 percent), while adjusted local sales and use tax collections increased from \$3.08 billion to \$4.06 billion (32 percent) during this time period.

Figure 1: State and local sales and use tax collections, 2012-2021, by fiscal year, adjusted for inflation



Source: DOR annual reports, SAO analysis of Consumer Price Index data from <https://fred.stlouisfed.org/series/CPIAUCSL>, and Appendix G

The state sales and use tax rate has remained at 4.225 percent during these 10 years. In comparison, local sales and use tax rates imposed by political subdivisions are continuously changing as local taxing jurisdictions impose new tax rates and others expire. In addition, the increasing number of districts has contributed to the total increase in local sales tax collections. The total number of districts increased from approximately 400 in fiscal year 2012 to approximately 730 in fiscal year 2021 (83 percent).

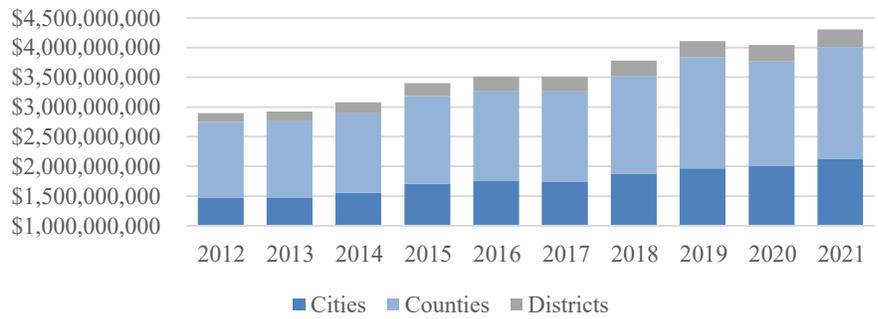
Local sales and use tax collections are distributed by the DOR to cities, counties, and districts. As shown in Figure 1, and as further illustrated in Figure 2, local sales and use tax collections and subsequent distributions have increased for most years between fiscal year 2012 and fiscal year 2021.¹

¹ For more detail on local sales and use tax distribution amounts, see Appendix H.



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Figure 2: Local sales and use tax distributions by political subdivision type, 2012-2021, by fiscal year



Source: DOR Records, see Appendix H

Department of Revenue

Sales and Use Tax

Management Advisory Report State Auditor's Findings

Timely Sales and Use Tax Discounts

As noted in multiple previous audit reports,² state laws allowing retailers to retain a portion of sales and use taxes collected if they remit the taxes to the Department of Revenue (DOR) timely result in the state and local governments forgoing significant revenues. Missouri's timely sales and use tax discount is the most generous such discount in the nation, and significantly benefits the state's largest retailers. In addition, the DOR does not routinely report to the General Assembly the amount of timely sales and use tax discounts retained by businesses.

Missouri's discount is the most generous in the nation

Missouri's timely sales and use tax discount is the most generous discount in the nation. Sections 144.140 and 144.710,³ RSMo, allow businesses remitting sales and use taxes to retain 2 percent of taxes payable to the DOR if the business remits payments timely.⁴ The total discount is not capped.

Other states may allow a higher percentage discount than Missouri's 2 percent, but these other states cap their discount, unlike Missouri. According to the Federation of Tax Administrators,⁵ 26 other states offer similar vendor discounts; however, 17⁶ of those states have established ceilings to limit the amount of discount and/or compensation retained by businesses. In addition, the other 9 states either have a lower discount rate than Missouri or only apply the highest discount rate to a limited dollar amount of sales tax collected (e.g., the first \$3,000, then a lower rate applies).

As shown in Figure 3, the amount of sales and use tax revenues Missouri has foregone as a result of the timely discount retained by businesses has increased for most years between fiscal year 2012 and fiscal year 2021. State and local sales tax revenues of approximately \$129 million and \$141 million were collected from purchasers, but retained as discounts by businesses remitting sales and use taxes in fiscal years 2020 and 2021, respectively.

² Report No. 2021-074, *Sales and Use Tax*, issued in September 2021; Report No. 2020-041, *Sales and Use Tax*, issued in August 2020; Report No. 2019-067, *Sales and Use Tax*, issued in August 2019; Report No. 2017-113, *Cost of Tax Incentives and Exemptions*, issued in October 2017; Report No. 2015-080, *Sales and Use Tax*, issued in September 2015; and Report No. 2013-015, *Sales and Use Tax*, issued in February 2013.

³ Effective January 1, 2023, Section 144.710, RSMo, will be repealed and the discount authorized in that section will be added to Section 144.140, RSMo.

⁴ Per Section 144.080, RSMo, if filing annually, applicable taxes are due by January 31 of the following year, if filing quarterly applicable taxes are due the last day of the month following the completed quarter, and if filing monthly applicable taxes are due the 20th of the following month. Per Section 144.081, RSMo, if filing quarter-monthly applicable taxes are due within 3 business days following the completed quarter-monthly period.

⁵ "State Sales Tax Rates and Vendor Discounts (January 1, 2022),"

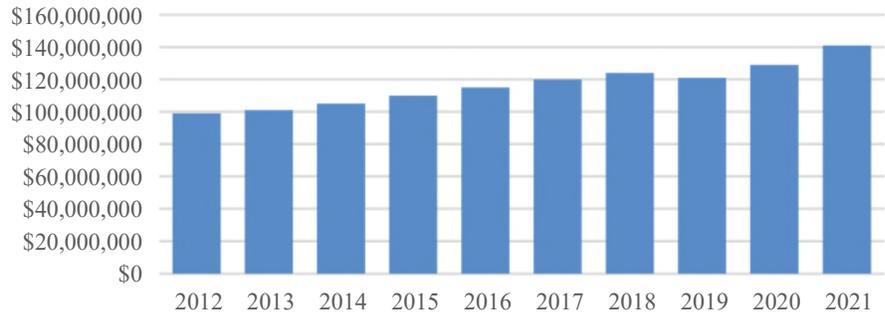
<<https://www.taxadmin.org/assets/docs/Research/Rates/vendors.pdf>>, accessed on February 25, 2021.

⁶ The Federation of Tax Administrators report did not list that Colorado established a cap, effective January 2020. We updated the number of states with established ceilings for this total.



Department of Revenue
Sales and Use Tax
Management Advisory Report - State Auditor's Findings

Figure 3: Timely discount totals, 2012-2021, by fiscal year⁷



Source: DOR records

In fiscal year 2021, sales and use taxes comprised approximately 19 percent of Missouri's general revenue. With sales and use tax revenues being used to fund significant portions of state and local government budgets, such large discounts are significant.

Cap on discount would result in increased revenue

Changing state law to include a monthly cap on the amount of timely discounts eligible to be retained would significantly increase state and local revenues. For example, applying Arkansas's cap of \$1,000 per month (the largest cap of contiguous states) to Missouri would have resulted in approximately \$82.6 million in additional state and local sales tax revenue during fiscal year 2021, according to DOR data.

In fiscal year 2021, 2,241 sales tax filers received timely discounts in excess of \$1,000 in at least one month during the year. Limiting those filers to Arkansas's \$1,000 monthly cap would have resulted in an additional \$42.3 million in state sales tax revenue and \$40.3 million in local sales tax revenue.

Cap on discount would only impact the state's largest retailers

A monthly timely discount cap of \$1,000 would not affect the majority of sales tax filers. Based on the state's average sales tax rate of 8.25 percent,⁸ only businesses with monthly taxable sales of approximately \$606,000 would have their timely discount capped. Retailers with less than \$606,000 in monthly taxable sales would continue to receive the full 2 percent timely discount. In fiscal year 2021, the 50 largest sales tax collecting businesses retained approximately 61 percent of timely discounts exceeding \$1,000, with

⁷ Timely discount totals included in Figure 3 are as of June 30 for each fiscal year; however, adjustments can be made to these amounts in subsequent years for various reasons, such as amended tax returns or audited tax returns.

⁸ Janelle Cammenga, "State and Local Sales Tax Rates, Midyear 2021," <<https://files.taxfoundation.org/20210707180456/State-and-Local-Sales-Tax-Rates-Midyear-2021.pdf>>, (July 2021), accessed on January 26, 2022. Calculation regarding the estimated monthly taxable sales was based on this estimated average sales tax rate.



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Management Advisory Report - State Auditor's Findings

the top 5 largest sales tax collecting businesses receiving a total of \$24 million in discounts.

The state established the timely sales tax discount so businesses could recover a portion of their costs for compliance with state sales tax laws and to encourage timely remittance of sales and use taxes. With increased use of electronic systems to calculate and remit sales tax collections, it is not clear if the continued use of such a discount is necessary to achieve these objectives.⁹ The current law allowing uncapped timely discounts results in the state and local governments providing a significant subsidy to the largest retailers in the state, and is more generous than any other state. Implementing a cap on timely discounts would result in additional revenues to the state and local governments without increasing taxes on consumers.

Other states have taken action to change timely discount laws

Some states are reviewing their timely discount structure and making changes to reduce the amount of sales and use tax revenues retained by businesses. For example, Oklahoma had a discount of 1 percent with a cap of \$2,500 per month. However, as of July 2019, Oklahoma no longer offers a timely discount to sales tax filers. In addition, Colorado did not have a cap on the timely discount amount until January 2020, when a cap of \$1,000 per filing period was established, and as of January 2022, Colorado's timely discount is no longer available to businesses whose taxable sales exceeded \$1 million during the filing period.

Amounts of timely discounts are not routinely reported

The DOR is not required to report, and does not routinely report, the amount of timely discounts retained by businesses to the General Assembly, local governments impacted, or the general public. DOR officials have stated this data is provided upon request. This information could be useful to the General Assembly when making various budget decisions and ensuring the state and local policymakers and the general public are informed of the ongoing cost of these discounts.

Recommendation

The General Assembly evaluate the necessity of a timely sales tax discount. If such a discount is deemed necessary, consider the implementation of a monthly cap on the amount of discount retained, and also consider changes to current state laws to require the DOR annually report the reduction of state revenue related to the timely discount to the General Assembly, applicable political subdivisions, and to the general public.

Auditee's Response

Due to this recommendation being legislative in nature, no management response can be obtained. While the recommendation is not addressed to the DOR, department officials provided a written response. That response is included at Appendix A.

⁹ "Timely Filing Discount Costs Missourians Millions," <<http://www.mobudget.org/timely-filing-discount/>>, (October 2016), accessed on March 7, 2022.

Department of Revenue

Sales and Use Tax

Organization and Statistical Information

The Department of Revenue (DOR) was created by Article IV, Section 12, Missouri Constitution as the central collection agency for state revenues. The Director of Revenue is appointed by the Governor, with the advice and consent of the Senate, and is responsible for all operations and policies. DOR responsibilities include:

- 1) Administering and collecting state taxes and fees, including sales and use tax and motor vehicle sales tax.
- 2) Collecting certain taxes and fees for local governments, including local sales and use tax.
- 3) Titling and licensing motor vehicles, trailers, and boats.
- 4) Licensing motor vehicle operators.

The DOR consists of 3 divisions, the General Counsel's office, and the Director's office.

Motor Vehicle and Driver Licensing Division: This division collects motor vehicle sales and use taxes and consists of 3 bureaus. (1) The Motor Vehicle Bureau issues titles and registers motor vehicles, trailers, all-terrain vehicles, manufactured homes, and marine craft. The bureau also issues registration certificates to motor vehicle and salvage dealers and leasing companies. (2) The Driver License Bureau issues, renews, suspends, revokes, and reinstates driver and nondriver licenses and driving permits. The bureau processes and maintains records relating to license issuance, traffic violation point assessments, failure to appear in court for traffic violations, and administers administrative alcohol and abuse and lose laws for alcohol/drug offenders. (3) The License Offices Bureau manages the operations of the contract license offices throughout the state. These local offices provide driver licensing and motor vehicle services and are operated by individuals or businesses approved through the state of Missouri bid process.

Taxation Division: This division consists of 5 bureaus that collect taxes and administer state tax law. (1) The Processing Bureau processes returns and payments for individual income, corporate income, property tax credit, sales, use, employer withholding, insurance, financial institution tax, and tire and lead-acid battery fees. This bureau also processes business tax registration applications, business tax account updates, MyTax portal communications, and handles tax-related cashiering functions. (2) The Income Tax Bureau administers individual, corporate, property tax credit, fiduciary, and partnership taxes. This bureau's functions include manually reviewing exceptions, processing incoming correspondence, returned refunds and returned mail, answering correspondence, responding to protests, and identification of non-filers and under-reporters for income tax. The bureau is also responsible for the administration of several tax credit programs and the redemption of tax credits claimed by individual and corporate taxpayers. This bureau also identifies and works to prevent individual income tax fraud.



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Organization and Statistical Information

(3) The Business Tax Bureau administers motor fuel, cigarette and other tobacco products, financial institutions, sales and use, and employer withholding taxes, along with multiple county, and tire and battery fees. Administrative functions include answering correspondence, processing sales and use tax exemptions, responding to protests, and distribution of funds to both state and local jurisdictions. (4) The Collections and Taxpayer Assistance Bureau provides tax assistance to individuals and businesses and follows procedures for unpaid tax liabilities. This bureau is comprised of 3 main areas of focus: call center, taxpayer assistance, and collections enforcement. The overall focus is account resolution and customer assistance. (5) The Field Compliance Bureau conducts audits to help educate Missouri businesses on their sales, consumer use, vendor use, employer withholding, and corporate income taxes, in addition to tire and battery fee obligations. The bureau also conducts audits of certain large sales and use tax refund claims. The Nexus section identifies taxpayers who have not complied with the business tax laws of Missouri and works with those taxpayers to become compliant. The Electronic Services section maintains the electronic interfaces between Missouri taxpayers, taxpayer representatives, and software developers. This section also handles the system administration functions for several internal and contracted applications.

Administration Division: This division provides administrative support to all other areas of the DOR and consists of 2 bureaus. (1) The Human Resources and Total Rewards Bureau is responsible for the DOR's personnel matters, process improvements, and training. (2) The Financial and General Services Bureau is responsible for all accounting, procurement, banking, and general service matters. This bureau also coordinates space and location needs, telecommunications, safety issues, maintenance, and improvement of the work environment within the DOR.

General Counsel's Office: This office ensures the DOR's compliance with law and internal policies, advises the director and divisions on legal matters relative to the DOR, and represents the DOR in courts and administrative tribunals. This office also consists of 2 investigation bureaus. (1) The Criminal Tax Investigation Bureau investigates and develops information leading to local prosecution of individuals and businesses suspected of violating state statutes related to sales, withholding, and income tax. (2) The Compliance and Investigation Bureau conducts investigations involving allegations of fraud relating to motor vehicle sales tax, titling and registration, odometer, and motor fuel sales tax as well as cigarette tax fraud, driver's license fraud and license plate fraud. The bureau also ensures the compliance of motor vehicle dealers, salvage businesses, and marine dealers with statutes and licensure regulations. In addition to external investigations, the bureau conducts internal audits and investigations of the DOR and contract license offices.



Department of Revenue
Sales and Use Tax
Organization and Statistical Information

Director's Office: This office includes the Director, Chief Operating Officer, and key administrative staff responsible for the overall guidance and direction of the DOR. This office includes the Public Information Office, the Legislative Office, and the Communications Office. The Public Information Office develops and maintains positive media and public relations for the DOR. The Legislative Office serves as the DOR's liaison to the General Assembly. The office provides technical assistance, develops fiscal and revenue estimates on proposed legislation, and monitors the progress of bills through the Legislature. The Communications Office develops and maintains department forms, policies, and procedures. The office also maintains the public and internal website, as well as manages the DOR's social media accounts.

Kenneth J. Zellers served as Director of Revenue from October 2, 2019, through October 12, 2021. Joseph Plaggenberg was appointed Acting Director of Revenue on October 12, 2021. Wayne Wallingford was appointed Director of Revenue on December 29, 2021.



Appendix A
Department of Revenue - Sales and Use Tax
Department of Revenue Response

MICHAEL L. PARSON
GOVERNOR



WAYNE WALLINGFORD
DIRECTOR OF REVENUE

MISSOURI DEPARTMENT OF REVENUE
POST OFFICE BOX 311
JEFFERSON CITY, MISSOURI 65105-0311
PHONE: (573) 751-4450
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WEBSITE: www.dor.mo.gov

June 21, 2022

Nicole Galloway, CPA
Missouri State Auditor
Missouri State Auditor's Office
PO Box 869
Jefferson City, MO 65102

Dear Ms. Galloway:

The Department of Revenue acknowledges the recommendation in the Missouri State Auditor's report on Sales and Use Tax.

Recommendation — The General Assembly evaluate the necessity of a timely sales tax discount. If such a discount is deemed necessary, consider the implementation of a monthly cap on the amount of discount retained, and also consider changes to current state laws to require the DOR annually report the reduction of state revenue related to the timely discount to the General Assembly, applicable political subdivisions, and to the general public.

DOR Response — If the General Assembly passes legislation that requires action, the Department of Revenue will incorporate those provisions into our processes and comply with any state laws regarding this recommendation.



Appendix A
Department of Revenue - Sales and Use Tax
Department of Revenue Response

If you have any questions, please contact me at 751-1115, or Joshua.Shope@dor.mo.gov.

Sincerely,

Wayne Wallingford

JKS/

c: Lynn Kempker Joseph Plaggenberg Brooklyn Wasser
 Maria Sanders Joel Allison Ken Struempf

Appendix B

Department of Revenue
 Sales and Use Tax
 Combined Statement of Receipts and Distributions - State Funds
 Year Ended June 30, 2021

	General Revenue Fund	Aviation Trust Fund	Conservation Commission Fund	State Highways and Transportation Department Fund	Parks Sales Tax Fund	School District Trust Fund	Soil and Water Sales Tax Fund	State Road Bond Fund	State Road Fund	State Transportation Fund	Total (Memorandum Only)
Receipts											
Marine/ATV/Manufactured sales and use tax	\$ 13,426,252	0	554,531	0	221,812	4,435,688	221,813	0	0	0	18,860,096
Motor vehicle sales and use tax ¹	3,628,048	0	17,907,774	(19,833)	7,163,114	71,636,119	7,163,115	214,908,356	209,172,491	5,730,890	537,290,074
Sales and use tax	2,415,898,001	2,149,405	115,717,894	0	46,286,240	922,673,620	46,286,259	9,207,758	8,961,689	245,520	3,567,426,386
Total Receipts	<u>2,432,952,301</u>	<u>2,149,405</u>	<u>134,180,199</u>	<u>(19,833)</u>	<u>53,671,166</u>	<u>998,745,427</u>	<u>53,671,187</u>	<u>224,116,114</u>	<u>218,134,180</u>	<u>5,976,410</u>	<u>4,123,576,556</u>
Distributions											
Transmitted to State Treasurer	2,432,952,301	2,149,405	134,180,199	(19,833)	53,671,166	998,745,427	53,671,187	224,116,114	218,134,180	5,976,410	4,123,576,556
Total Distributions	<u>2,432,952,301</u>	<u>2,149,405</u>	<u>134,180,199</u>	<u>(19,833)</u>	<u>53,671,166</u>	<u>998,745,427</u>	<u>53,671,187</u>	<u>224,116,114</u>	<u>218,134,180</u>	<u>5,976,410</u>	<u>4,123,576,556</u>
Receipts Over (Under) Distributions	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

¹ Negative receipts are due to the timing of adjustments for coding corrections.

Source: DOR records

Appendix C

Department of Revenue
 Sales and Use Tax
 Combined Statement of Receipts, Distributions, and Changes in Cash and Investments - Local Funds
 Year Ended June 30, 2021

	Local Fuel Tax and Bond Trust Fund	Local Sales and Use Tax Trust Fund	Total (Memorandum Only)
Receipts			
Motor fuel taxes and fees	\$ 219,871,837	0	219,871,837
Sales tax	71,636,118	3,826,494,592	3,898,130,710
Use tax ¹	(1,658)	236,740,669	236,739,011
Miscellaneous tax	0	155,498,279	155,498,279
Protested tax	0	7,398	7,398
Motor fuel bond	1,500	0	1,500
Motor fuel pool bond	14,436	0	14,436
Interest income	3,339	392,107	395,446
Total Receipts	<u>291,525,572</u>	<u>4,219,133,045</u>	<u>4,510,658,617</u>
Distributions			
Political subdivisions	286,729,659	3,967,126,714	4,253,856,373
General Revenue Fund	0	38,554,641	38,554,641
Protest settlements	0	21,459	21,459
Total Distributions	<u>286,729,659</u>	<u>4,005,702,814</u>	<u>4,292,432,473</u>
Receipts Over (Under) Distributions	4,795,913	213,430,231	218,226,144
Interest Transfers			
Interest transfers from:			
Non-state funds	18,136	75,643	93,779
Interest transfers to:			
General Revenue Fund	0	(393,713)	(393,713)
Other state funds	0	(196,737)	(196,737)
Non-state funds	0	(456)	(456)
Total Transfers	<u>18,136</u>	<u>(515,263)</u>	<u>(497,127)</u>
Receipts Over (Under) Distributions and Transfers	4,814,049	212,914,968	217,729,017
Cash and Investments, July 1	30,026,434	451,552,980	481,579,414
Cash and Investments, June 30	<u>\$ 34,840,483</u>	<u>664,467,948</u>	<u>699,308,431</u>

¹ Negative receipts are due to the timing of adjustments for coding corrections.

Source: DOR records

Appendix D

Department of Revenue

Sales and Use Tax

Combined Statement of Additions, Deductions, and Changes in Cash and Investments - Custodial Accounts

Year Ended June 30, 2021

	Compliance Clearing Account ¹	Motor Vehicle Clearing Account ¹	Sales Tax Bond Account ²	Total (Memorandum Only)
Additions				
Miscellaneous tax collections	\$ 78,809	1,398,136,769	0	1,398,215,578
Bond collections net of forfeitures ³	0	0	(141,287)	(141,287)
Interest income	160	75,459	0	75,619
Total Additions	78,969	1,398,212,228	(141,287)	1,398,149,910
Deductions				
Miscellaneous taxes and interest	261,028	1,406,628,326	0	1,406,889,354
Bonds and interest	0	0	122,041	122,041
Total Deductions	261,028	1,406,628,326	122,041	1,407,011,395
Additions Over (Under) Deductions	(182,059)	(8,416,098)	(263,328)	(8,861,485)
Cash and Investments, July 1 ⁴	182,059	55,959,830	7,093,608	63,235,497
Cash and Investments, June 30	\$ 0	47,543,732	6,830,280	54,374,012

¹ Held by the department in trust.

² Held by the State Treasurer in trust.

³ Additions are negative due to bond forfeitures exceeding bond collections.

⁴ The July 1 balance has been restated for the Compliance Clearing Account to agree with bank records. The Compliance Clearing Account was closed in December 2020.

Source: DOR records

Appendix E

Department of Revenue
Sales and Use Tax
Combined Statement of Distributions - Local Funds
Year Ended June 30, 2021

	Local Fuel Tax and Bond Trust Fund	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	St. Louis Capital Improvements Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Cities ¹	\$ 165,470,855	715,778,635	749,243,321	36,076,218	289,106,541	163,497,122	0	0 #	0	2,119,172,692
Counties ¹	121,258,587	0 #	0	0	213,093,934	68,426,015	514,167,074	968,711,006	0	1,885,656,616
Districts ¹ :										
Ambulance Districts	0	0	0	0	0	0	0	0	71,690,211	71,690,211
Emergency Service Districts	0	0	0	0	0	0	0	0	17,492,126	17,492,126
Fire Protection Districts	0	0	0	0	0	0	0	0	22,616,702	22,616,702
Hospital Districts	0	0	0	0	0	0	0	0	788,299	788,299
Public Library Districts	0	0	0	0	0	0	0	0	1,999,479	1,999,479
Regional Jail Districts	0	0	0	0	0	0	0	0	1,276,363	1,276,363
Regional Recreation Districts	0	0	0	0	0	0	0	0	10,551	10,551
Tourism Community Districts	0	0	0	0	0	0	0	0	8,439,339	8,439,339
Zoological Districts	0	0	0	0	0	0	0	0	18,300,003	18,300,003
Transportation Development Districts	0	0	0	0	0	0	0	0	77,086,334	77,086,334
Community Improvement Districts	0	0	0	0	0	1,405,248	0	0	76,620,815	78,026,063
Port Improvement Districts	0	0	0	0	0	43,728	0	0	175,476	219,204
Total	\$ <u>286,729,442</u>	<u>715,778,635</u>	<u>749,243,321</u>	<u>36,076,218</u>	<u>502,200,475</u>	<u>233,372,113</u>	<u>514,167,074</u>	<u>968,711,006</u>	<u>296,495,698</u>	<u>4,302,773,982</u>

¹ Local sales and use tax distributions by political subdivision are available in the Department of Revenue's annual Financial and Statistical Report. However, the Department of Revenue does not report distributions for political subdivisions with less than 6 taxpayers. For this schedule, all local sales and use tax distributions have been included in the amounts reported. The Department of Revenue's annual Financial and Statistical Report is accessible through the Department of Revenue's website at <http://www.dor.mo.gov>.

Source: DOR records

Appendix F

Department of Revenue
Sales and Use Tax

Comparative Statement of State and Local Sales and Use Tax Collections

	Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
State Sales and Use Tax	\$ 3,131,793,823	3,192,624,294	3,331,915,714	3,430,314,960	3,588,844,184	3,659,746,431	3,742,345,985	3,786,770,305	3,848,057,504	4,193,517,510
Local Sales and Use Tax	2,657,636,085	2,710,095,629	2,950,216,388	3,134,151,262	3,277,995,153	3,312,491,891	3,552,265,312	3,713,055,431	3,807,723,698	4,063,242,659
Total Collections	\$ 5,789,429,908	5,902,719,923	6,282,132,102	6,564,466,222	6,866,839,337	6,972,238,322	7,294,611,297	7,499,825,736	7,655,781,202	8,256,760,169

Source: DOR annual reports

Appendix G

Department of Revenue
Sales and Use Tax

Comparative Statement of State and Local Sales and Use Tax Collections - Adjusted for Inflation

	Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
State Sales and Use Tax	\$ 3,633,077,964	3,640,869,032	3,741,207,764	3,829,843,231	3,978,264,396	3,980,011,085	3,976,570,002	3,945,630,742	3,949,776,578	4,193,517,510
Local Sales and Use Tax	3,083,025,142	3,090,593,299	3,312,620,548	3,499,185,391	3,633,685,594	3,602,368,277	3,774,592,658	3,868,823,424	3,908,376,593	4,063,242,659
Total Collections	\$ 6,716,103,106	6,731,462,331	7,053,828,312	7,329,028,622	7,611,949,990	7,582,379,362	7,751,162,660	7,814,454,166	7,858,153,171	8,256,760,169

Source: DOR annual reports, SAO analysis of Consumer Price Index data from <<https://fred.stlouisfed.org/series/CPIAUCSL>>

Appendix H

Department of Revenue
Sales and Use Tax
Comparative Statement of Distributions - Local Funds

	Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cities ¹	\$ 1,472,512,205	1,479,663,181	1,556,763,139	1,702,603,661	1,751,813,928	1,743,115,737	1,870,426,160	1,965,323,136	2,000,640,072	2,119,172,692
Counties ¹	1,273,528,036	1,275,642,722	1,336,010,850	1,477,149,378	1,521,425,739	1,520,155,318	1,645,773,164	1,873,697,822	1,763,428,384	1,885,656,616
Districts ¹										
Ambulance Districts	40,232,711	40,622,866	43,754,650	49,247,153	53,054,189	54,854,636	57,517,087	57,995,103	61,814,696	71,690,211
Emergency Service Districts	7,519,253	7,524,813	10,430,448	13,184,536	13,813,028	14,101,642	14,829,750	14,855,612	15,426,020	17,492,126
Fire Protection Districts	14,105,320	14,207,178	15,240,684	16,945,905	17,701,780	17,955,973	19,333,947	19,686,410	20,535,710	22,616,702
Hospital Districts	97,546	329,590	383,322	394,732	417,350	403,102	369,693	586,903	739,467	788,299
Public Library Districts	0	623,720	1,064,213	1,202,701	1,227,514	1,194,950	1,520,400	1,718,768	1,784,156	1,999,479
Regional Jail Districts	925,244	895,020	936,890	1,035,556	1,058,124	1,081,865	1,079,528	1,087,843	1,150,321	1,276,363
Regional Recreation Districts	1,029	3,146	3,857	5,383	3,528	4,639	13,888	14,045	8,992	10,551
Tourism Community Districts	6,052,170	7,401,168	7,531,710	7,936,743	8,217,319	8,127,822	8,359,606	8,393,574	8,130,751	8,439,339
Zoological Districts	4,542,779	14,249,348	14,986,687	16,515,801	17,239,588	17,131,267	17,862,598	17,824,419	17,850,125	18,300,003
Transportation Development Districts	51,150,119	51,515,254	60,401,992	71,639,918	74,911,843	74,945,567	78,091,563	79,642,576	77,416,207	77,086,334
Community Improvement Districts ²	24,057,173	27,846,354	30,357,558	40,712,899	46,456,789	49,905,510	62,795,570	67,805,212	71,760,338	78,026,063
Community Development Districts	3,131,750	3,177,621	3,238,916	3,607,775	3,770,163	3,854,222	0	0	0	0
Port Improvement Districts	0	0	0	0	131,268	205,849	278,081	214,145	259,287	219,204
Total Districts	151,815,094	168,396,078	188,330,927	222,429,102	238,002,483	243,767,044	262,051,711	269,824,610	276,876,070	297,944,674
Total Local Distributions	\$ 2,897,855,335	2,923,701,981	3,081,104,916	3,402,182,141	3,511,242,150	3,507,038,099	3,778,251,035	4,108,845,568	4,040,944,526	4,302,773,982

¹ For fiscal years prior to fiscal year 2015, sales and use tax distributions for political subdivisions with less than 6 taxpayers are not included in the amounts reported.

² In fiscal year 2018 and subsequent years, the Department of Revenue combined Community Development Districts with Community Improvement Districts.

Source: DOR records