



# CITIZENS SUMMARY

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

Sales Tax Rates	The Department of Revenue (DOR) does not have adequate procedures to ensure proper taxing jurisdiction boundaries are maintained in its computerized mapping system. The DOR does not maintain documentation of political subdivision (PSD) changes sent to the Office of Administration-Information Technology Services Division (OA-ITSD) therefore, the DOR cannot review changes to verify the PSD boundaries are accurately entered into the system by the OA-ITSD. In addition, since the DOR is not ensuring the PSDs provide complete boundary information, the computerized mapping system is not always able to provide accurate tax rate information by geographical location.
Cash Bonds	The DOR has not attempted to return any unclaimed cash bonds held for closed businesses, nor has it considered turning over these monies to the State Treasurer's Office, Unclaimed Property Division. As of June 30, 2014, the DOR held approximately \$19.4 million in cash bonds for closed businesses. In addition, the DOR does not have adequate policies and procedures in place to return bonds to active businesses that have demonstrated satisfactory sales tax compliance.
Timely Discounts	The DOR does not routinely report to the General Assembly for its consideration the amount of timely discounts taken by businesses. Approximately \$105 million, \$101 million, and \$99 million in state and local sales tax revenues were collected from purchasers but retained as timely discounts by businesses remitting sales and use taxes in fiscal years 2014, 2013, and 2012, respectively. The state and local governments are foregoing a significant amount of sales tax revenue because there is not a cap on the amount of timely discounts taken by large vendors.
Individual Consumer Use Tax and Internet Sales	Missouri's individual consumer use tax requirements are not well known by the general public, require extensive taxpayer record keeping, are generally not complied with, and are difficult to enforce and administer. The state could receive millions each year in additional revenue by implementing the Streamlined Sales and Use Tax Agreement. In addition, the DOR does not include a specific line on income tax forms requiring state individual income taxpayers to specify whether they made purchases exceeding \$2,000 for which sales or use tax was not paid.
Sales and Use Tax Exemptions	The DOR does not track and report information regarding some sales and use tax exemptions. As a result, the cost in terms of reduced state revenue for each exemption cannot be determined.

Refunds	Under Missouri law, vendors are not required to return sales and use tax refunds to the original purchaser when applicable, and local funds are not charged a proportionate share of interest paid on refunds of sales and use taxes.
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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.

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