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# CITIZENS SUMMARY

## Findings in the audit of Timeliness of Income Tax Refund Issuance

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| Improvements Made in the Timeliness of Individual Income Tax Refunds | The state made improvements in the timely payment of individual income tax refunds during fiscal year 2018 compared to the previous 2 fiscal years. In addition to the total amount refunded being paid more timely during fiscal year 2018, improvements have also been made in decreasing the number of refunds being delayed.  |
| Improved Cash Flow Allowed for More Timely Refunds                   | Improvements in the timeliness of income tax refunds resulted from improved cash flow to the General Revenue (GR) Fund in fiscal year 2018. According to monthly general revenue reports generated by the Office of Administration, the state collected significantly higher (32 percent) personal income tax revenue in January 2018 than in January 2017. While borrowings from the Budget Reserve Fund allowed the state to continue to meet its obligations and were replenished before May 16 every year, as required by the Missouri Constitution, this trend indicates the state has not replenished its overall cash reserves following the 2008 recession. Due to the decrease in cash available since 2008, the state has had to use money borrowed from the Budget Reserve Fund for other operating obligations, making less reserve funding available for paying individual income tax refunds. |
| Refunds Are Not Paid in the Order Processed                          | State law does not specify that income tax refunds must be paid in the order in which they are received or processed. As a result, the Department of Revenue has established a priority system for paying individual income tax refunds.  |
| Changes to State Withholding Tables                                  | Changes made in 2018 to the state's individual income tax withholding tables to adjust for changes to the federal tax law and a reduction in state income tax rates have resulted in a significant reduction in revenues for individual income tax withholdings to the GR Fund during fiscal year 2019. The impact of these changes in cash flow on the timeliness of income tax refund issuance is uncertain. In addition, changes to the withholding table in January 2019 are expected to result in over withholding from a majority of taxpayers.   |

Due to the limited objectives of this audit, no overall rating is provided.