



CITIZENS SUMMARY

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

Ongoing Sales and Use Tax Issues

Several previous audit reports have included concerns and recommendations relating to timely sales and use tax discounts and internet sales. State laws allowing retailers to retain a portion of sales and use taxes collected if they remit the taxes to the Department of Revenue 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, Missouri is one of two states with statewide sales taxes that have not passed legislation to allow for the collection of sales tax on online purchases made from out-of-state sellers or to participate in the Streamlined Sales and Use Tax Agreement, costing the state millions in potential sales tax revenue.

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.



Nicole Galloway, CPA
Missouri State Auditor

RECOMMENDATION SUMMARY

Recommendations in the audit of the Department of Revenue - Sales and Use Tax

Ongoing Sales and Use Tax
Issues

The General Assembly:

- 1.1 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.
- 1.2 Continue to pursue legislation to collect sales taxes from out-of-state sellers.