



# Scott Fitzpatrick

---

Missouri State Auditor

Department of Revenue

Sales and Use Tax

Report No. 2023-040

August 2023

[auditor.mo.gov](http://auditor.mo.gov)



**Scott Fitzpatrick**  
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 previous audits, state and local governments forego significant revenues because state laws allow retailers to retain a portion of sales and use taxes collected if they remit the taxes in a timely manner to the Department of Revenue (DOR). While several other states have a timely discount in place, Missouri's timely sales and use tax discount is the most generous such discount in the nation. Missouri does not have a monthly cap on the amount of discount retained and 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

### Table of Contents

---

State Auditor's Report	2
------------------------	---

---

Introduction	
Background .....	4

---

Management Advisory Report - State Auditor's Findings	Timely Sales and Use Tax Discounts.....	9
---	---	---

---

Organization and Statistical Information		13
---	--	----

---

<u>Appendixes</u>		
A	Department of Revenue Response to Audit Recommendation .....	16
B	Combined Statement of Receipts and Distributions - State Funds Year Ended June 30, 2022 .....	17
C	Combined Statement of Receipts, Distributions, and Changes in Cash and Investments - Local Funds Year Ended June 30, 2022 .....	18
D	Combined Statement of Additions, Deductions, and Changes in Cash and Investments - Custodial Accounts Year Ended June 30, 2022 .....	19
E	Combined Statement of Distributions - Local Funds Year Ended June 30, 2022 .....	20
F	Comparative Statement of State and Local Sales and Use Tax Collections 10 Years Ended June 30, 2022.....	21
G	Comparative Statement of State and Local Sales and Use Tax Collections - Adjusted for Inflation 10 Years Ended June 30, 2022.....	22
H	Comparative Statement of Distributions - Local Funds 10 Years Ended June 30, 2022.....	23



**SCOTT FITZPATRICK**  
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, 2022. The objectives of our audit were to:

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

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 judgmental 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 "Scott Fitzpatrick". The signature is written in a cursive style with a large, stylized "S" and "F".

Scott Fitzpatrick  
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 listed below. 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 related to sales and use taxes 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 144.752, 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



Department of Revenue  
Sales and Use Tax  
Introduction

motor vehicle sales tax provided for in Article IV, Section 43(a), Missouri Constitution.

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 under the administrative control of the DOR and allocated to an investment pool 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.



---

Department of Revenue  
Sales and Use Tax  
Introduction

---

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.

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 144.752, RSMo, except as otherwise provided. Net taxes and interest are subsequently distributed to the cities and counties.

### **Custodial Accounts**

The DOR has shared responsibility with the State Treasurer for maintaining and disbursing account resources of the custodial accounts. The DOR has custody of the Motor Vehicle Clearing Account and the State Treasurer has custody of the Sales Tax Bond Account. Collections for the account held by the DOR are deposited into an interest-bearing bank account and allocated to an investment pool.

Motor Vehicle Clearing Account: The DOR has been charged with the responsibility of administering transactions in the Motor Vehicle Clearing Account and actual custody of account resources ultimately rests with the department. This account receives collections from motor vehicle contracted agent offices and the central office for various taxes and fees. These receipts are held in trust by the DOR until subsequently transferred to various state and local funds.

Sales Tax Bond Account: The DOR has been charged with the responsibility of administering transactions in the 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, which is in the custody of the State Treasurer, 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.



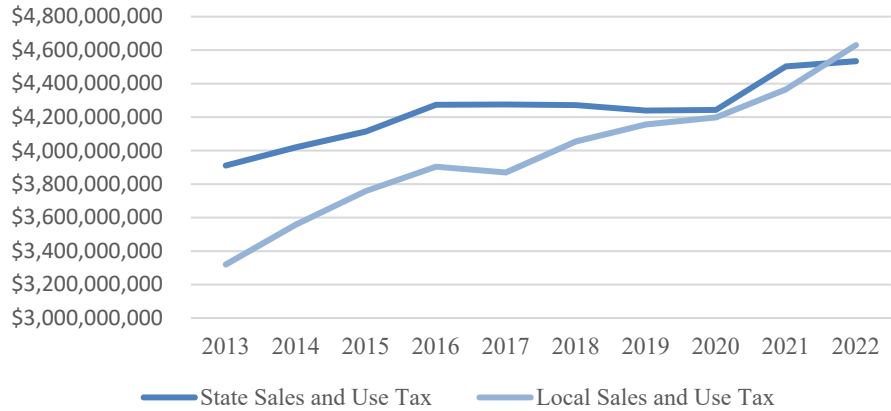


Department of Revenue  
Sales and Use Tax  
Introduction

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 2013 and fiscal year 2022. Adjusted state sales and use tax collections increased from \$3.91 billion to \$4.53 billion (16 percent), while adjusted local sales and use tax collections increased from \$3.32 billion to \$4.63 billion (39 percent) during this time period.

Figure 1: State and local sales and use tax collections, 2013-2022, by fiscal year, adjusted for inflation



Source: DOR annual reports, SAO analysis of Consumer Price Index data from <<https://fred.stlouisfed.org/series/CPIAUCSL>>. See additional detail at 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. According to the Tax Foundation,<sup>1</sup> Missouri's average local sales tax rate was 4.07 percent as of July 1, 2022. 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 430 in fiscal year 2013 to approximately 750 in fiscal year 2022 (74 percent increase).

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 2013 and fiscal year 2022.<sup>2</sup>

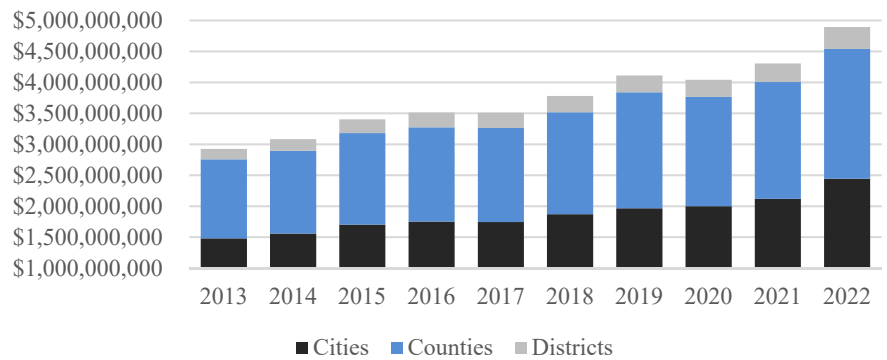
<sup>1</sup> Janelle Fritts, "State and Local Sales Tax Rates, Midyear 2022," <<https://taxfoundation.org/2022-sales-tax-rates-midyear/>>, (July 2022), accessed on March 30, 2023.

<sup>2</sup> For more detail on local sales and use tax distribution amounts, see Appendix H.



Department of Revenue  
Sales and Use Tax  
Introduction

Figure 2: Local sales and use tax distributions by political subdivision type, 2013-2022, by fiscal year



Source: DOR Records. See additional detail at 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,<sup>3</sup> 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 remains 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 for its review and consideration.

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. Section 144.140,<sup>4</sup> RSMo, allows businesses remitting sales and use taxes to retain 2 percent of sales taxes payable to the DOR if the business remits payments timely,<sup>5</sup> which is defined by the due date established by the DOR. Additionally, the total discount is not capped. This resulted in \$158 million of sales and use tax collections being retained by businesses in fiscal year 2022 as their timely payment discount.

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 totaled at least \$100 million annually since fiscal year 2013 and has increased for most years between fiscal year 2013 and fiscal year 2022. State and local sales tax revenues of approximately \$141 million and \$158 million were collected from purchasers, but retained as discounts by businesses remitting sales and use taxes in fiscal years 2021 and 2022, respectively.

---

<sup>3</sup> Report No. 2022-037, *Sales and Use Tax*, issued in June 2022; 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.

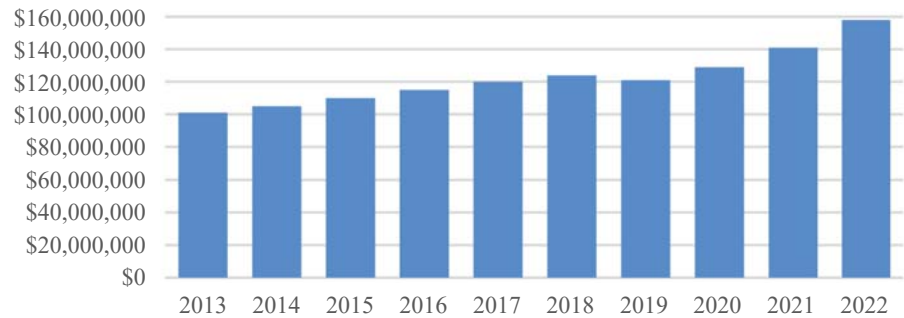
<sup>4</sup> Effective January 1, 2023, Section 144.710, RSMo, was repealed and the discount authorized in that section was added to Section 144.140, RSMo.

<sup>5</sup> Pursuant to 12 Code of State Regulation (CSR) 10-104.030(3)(C), 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 last day of the following month. Pursuant to 12 CSR 10-104.030(3)(H), if filing quarter-monthly, applicable taxes are due within 3 business days following the completed quarter-monthly period.



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

Figure 3: Timely discount totals, 2013-2022, by fiscal year<sup>6</sup>



Source: DOR records

In fiscal year 2022, 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 can have a significant impact on programs and services offered by government entities.

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,<sup>7</sup> 27 other states offer similar vendor discounts; however, 18<sup>8</sup> 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).

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, Arkansas's timely discount rate is also 2 percent, but Arkansas has a cap of \$1,000 per month. Applying Arkansas's cap of \$1,000 per month (the largest cap of contiguous states) to Missouri would have resulted in approximately \$93.2 million in additional state and local sales tax revenue during fiscal year 2022.

<sup>6</sup> 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.

<sup>7</sup> "State Sales Tax Rates and Vendor Discounts (January 1, 2023)," <<https://taxadmin.memberclicks.net/assets/docs/Research/Rates/vendors.pdf>>, accessed on March 29, 2023. This report did not list that Missouri has a 2 percent discount.

<sup>8</sup> 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

In fiscal year 2022, 2,623 sales tax filers received timely discounts in excess of \$1,000 in at least 1 month during the year. This is an increase of 382 filers from fiscal year 2021 and 482 filers from fiscal year 2020. Limiting the 2,623 filers to Arkansas's \$1,000 monthly cap would have resulted in an additional \$47.4 million in state sales tax revenue and \$45.8 million in local sales tax revenue in fiscal year 2022.

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

In fiscal year 2022, the 50 largest sales tax collecting businesses retained approximately 58 percent of timely discounts exceeding \$1,000, with the top 5 largest sales tax collecting businesses receiving a total of \$25 million in discounts. 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 8.30 percent,<sup>9</sup> only businesses with monthly taxable sales of approximately \$602,000 would have their timely discount capped. Retailers with less than \$602,000 in monthly taxable sales would continue to receive the full 2 percent timely discount.

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, as currently constructed, is necessary to achieve these objectives.<sup>10</sup> 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.

Other states have taken action to change timely discount laws

Other 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

<sup>9</sup> Janelle Fritts, "State and Local Sales Tax Rates, Midyear 2022," <<https://taxfoundation.org/2022-sales-tax-rates-midyear/>>, (July 2022), accessed on March 30, 2023. Calculation regarding the estimated monthly taxable sales was based on this estimated average sales tax rate.

<sup>10</sup> "Timely Filing Discount Costs Missourians Millions," <<http://www.mobudget.org/timely-filing-discount/>>, (October 2016), accessed on March 30, 2023.



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

---

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 continued necessity of a timely sales tax discount. If such a discount is deemed necessary, consider possible reductions to the timely payment discount, the implementation of a monthly cap on the amount of discount retained, and 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.*

---

# Department of Revenue

## Sales and Use Tax

### Organization and Statistical Information

---

The Department of Revenue (DOR) was created by Article IV, Section 12, of the Missouri Constitution as the central collection agency for state revenues. Article IV, Section 15, of the Missouri Constitution establishes the DOR as the custodian of nonstate funds, which are defined as taxes and fees imposed by political subdivisions and collected by the DOR, all taxes that are imposed by the state, collected by the DOR and distributed by the DOR to political subdivisions, and other money designated as "nonstate funds." 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



---

Department of Revenue  
Sales and Use Tax  
Organization and Statistical Information

---

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. (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 fees, and tire and battery fees. Administrative functions include answering correspondence, processing sales and use tax exemptions, responding to tax 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. In addition, included in the division is the Technical Communications Office that develops and maintains department forms, policies, and procedures. The office also maintains the public and internal website.

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





Department of Revenue  
Sales and Use Tax  
Organization and Statistical Information

---

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.

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 Strategy and Communications Office and the Legislative Office. The Strategy and Communications Office develops and maintains positive media and public relations for the DOR. Additionally, the office handles graphic design, video and social media 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.

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 January 1, 2022.



Appendix A  
Department of Revenue - Sales and Use Tax  
Department of Revenue Response to Audit Recommendation

MICHAEL L. PARSON  
GOVERNOR



WAYNE WALLINGFORD  
DIRECTOR OF REVENUE

MISSOURI DEPARTMENT OF REVENUE  
POST OFFICE BOX 311  
JEFFERSON CITY, MISSOURI 65105-0311  
PHONE: (573) 751-4460  
FAX: (573) 751-7150  
WEBSITE: [www.dor.mo.gov](http://www.dor.mo.gov)

July 17, 2023

Scott Fitzpatrick  
Missouri State Auditor  
Missouri State Auditor's Office  
PO Box 869  
Jefferson City, MO 65102

Dear Mr. Fitzpatrick:

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 continued necessity of a timely sales tax discount. If such a discount is deemed necessary, consider possible reductions to the timely payment discount, the implementation of a monthly cap on the amount of discount retained, and 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.

If you have any questions, please contact me at 751-1115, or [Joshua.Shope@dor.mo.gov](mailto:Joshua.Shope@dor.mo.gov).

Sincerely,

Wayne Wallingford

JKS/

c: Lynn Kempker  
Daniel Follett

Cheryl Bosch  
Dustin Birch

Brooklyn Wasser

Appendix B

Department of Revenue  
 Sales and Use Tax  
 Combined Statement of Receipts and Distributions - State Funds  
 Year Ended June 30, 2022

	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)
<b>Receipts</b>											
Marine/ATV/Manufactured sales and use tax	\$ 12,135,544	0	497,989	0	199,195	3,982,952	199,196	0	0	0	17,014,876
Motor vehicle sales and use tax	6,152,383	0	16,174,220	8,988	6,469,692	64,697,092	6,469,694	194,091,275	188,917,688	5,175,767	488,156,799
Sales and use tax	<u>2,725,659,844</u>	<u>6,151,083</u>	<u>131,687,821</u>	<u>0</u>	<u>52,673,916</u>	<u>1,050,625,699</u>	<u>52,674,127</u>	<u>8,614,176</u>	<u>8,384,438</u>	<u>229,700</u>	<u>4,036,700,804</u>
Total Receipts	<u>2,743,947,771</u>	<u>6,151,083</u>	<u>148,360,030</u>	<u>8,988</u>	<u>59,342,803</u>	<u>1,119,305,743</u>	<u>59,343,017</u>	<u>202,705,451</u>	<u>197,302,126</u>	<u>5,405,467</u>	<u>4,541,872,479</u>
<b>Distributions</b>											
Transmitted to State Treasurer	<u>2,743,947,771</u>	<u>6,151,083</u>	<u>148,360,030</u>	<u>8,988</u>	<u>59,342,803</u>	<u>1,119,305,743</u>	<u>59,343,017</u>	<u>202,705,451</u>	<u>197,302,126</u>	<u>5,405,467</u>	<u>4,541,872,479</u>
Total Distributions	<u>2,743,947,771</u>	<u>6,151,083</u>	<u>148,360,030</u>	<u>8,988</u>	<u>59,342,803</u>	<u>1,119,305,743</u>	<u>59,343,017</u>	<u>202,705,451</u>	<u>197,302,126</u>	<u>5,405,467</u>	<u>4,541,872,479</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>

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, 2022

	Local Fuel Tax and Bond Trust Fund	Local Sales and Use Tax Trust Fund	Total (Memorandum Only)
<b>Receipts</b>			
Motor fuel taxes and fees	\$ 239,230,025	0	239,230,025
Sales tax	64,697,091	4,321,281,492	4,385,978,583
Use tax	727	308,661,113	308,661,840
Miscellaneous tax <sup>1</sup>	0	(18,140,563)	(18,140,563)
Protested tax	0	42	42
Motor fuel bond	6,335	0	6,335
Motor fuel pool bond	8,653	0	8,653
Interest income <sup>2</sup>	(1,080)	371,679	370,599
Total Receipts	303,941,751	4,612,173,763	4,916,115,514
<b>Distributions</b>			
Political subdivisions	302,610,474	4,563,159,636	4,865,770,110
General Revenue Fund	0	44,188,636	44,188,636
Refunds to taxpayers	6,335	0	6,335
Protest settlements	0	21,863	21,863
Total Distributions	302,616,809	4,607,370,135	4,909,986,944
Receipts Over (Under) Distributions	1,324,942	4,803,628	6,128,570
Cash and Investments, July 1	34,840,483	664,467,948	699,308,431
Cash and Investments, June 30	\$ 36,165,425	669,271,576	705,437,001

<sup>1</sup> Negative miscellaneous tax is due to more sales and use taxes distributed from than deposited into the Suspense Holding Account.

<sup>2</sup> Negative interest income is due to bank service charges exceeding interest earnings.

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, 2022

	Motor Vehicle Clearing Account <sup>1</sup>	Sales Tax Bond Account <sup>2</sup>	Total (Memorandum Only)
<b>Additions</b>			
Miscellaneous tax collections	\$ 1,288,060,108	0	1,288,060,108
Bond collections net of forfeitures	0	254,485	254,485
Interest income	32,557	0	32,557
Total Additions	<u>1,288,092,665</u>	<u>254,485</u>	<u>1,288,347,150</u>
<b>Deductions</b>			
Miscellaneous taxes and interest	1,279,212,206	0	1,279,212,206
Bonds and interest	0	113,384	113,384
Total Deductions	<u>1,279,212,206</u>	<u>113,384</u>	<u>1,279,325,590</u>
Additions Over (Under) Deductions	8,880,459	141,101	9,021,560
Cash and Investments, July 1	47,543,732	6,830,280	54,374,012
Cash and Investments, June 30	<u>\$ 56,424,191</u>	<u>6,971,381</u>	<u>63,395,572</u>

<sup>1</sup> Held by the department in trust.

<sup>2</sup> Held within the General Revenue Fund, which is in the custody of the State Treasurer.

Source: DOR records

Appendix E

Department of Revenue  
 Sales and Use Tax  
 Combined Statement of Distributions - Local Funds  
 Year Ended June 30, 2022

	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 <sup>1</sup>	\$ 173,163,614	802,342,954	880,201,781	40,181,859	330,125,372	217,470,736	0	0	0	2,443,486,316
Counties <sup>1</sup>	129,446,859	0	0	0	238,137,912	85,481,698	567,964,525	1,074,932,867	0	2,095,963,861
Districts: <sup>1</sup>										
Ambulance Districts	0	0	0	0	0	0	0	0	77,975,806	77,975,806
Emergency Service Districts	0	0	0	0	0	0	0	0	18,425,091	18,425,091
Fire Protection Districts	0	0	0	0	0	0	0	0	26,230,656	26,230,656
Hospital Districts	0	0	0	0	0	0	0	0	827,464	827,464
Public Library Districts	0	0	0	0	0	0	0	0	2,109,747	2,109,747
Regional Jail Districts	0	0	0	0	0	0	0	0	1,376,009	1,376,009
Regional Recreation Districts	0	0	0	0	0	0	0	0	8,991	8,991
Tourism Community Districts	0	0	0	0	0	0	0	0	11,136,379	11,136,379
Zoological Districts	0	0	0	0	0	0	0	0	20,770,102	20,770,102
Transportation Development Districts	0	0	0	0	0	0	0	0	96,648,575	96,648,575
Community Improvement Districts	0	0	0	0	0	2,976,343	0	0	93,849,702	96,826,045
Port Improvement Districts	0	0	0	0	0	71,349	0	0	290,404	361,753
Total	\$ <u>302,610,473</u>	<u>802,342,954</u>	<u>880,201,781</u>	<u>40,181,859</u>	<u>568,263,284</u>	<u>306,000,126</u>	<u>567,964,525</u>	<u>1,074,932,867</u>	<u>349,648,926</u>	<u>4,892,146,795</u>

<sup>1</sup> 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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
State Sales and Use Tax <sup>1</sup>	\$ 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	4,191,492,838	4,533,874,791
Local Sales and Use Tax	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	4,629,942,605
Total Collections	\$ <u>5,902,719,923</u>	<u>6,282,132,102</u>	<u>6,564,466,222</u>	<u>6,866,839,337</u>	<u>6,972,238,322</u>	<u>7,294,611,297</u>	<u>7,499,825,736</u>	<u>7,655,781,202</u>	<u>8,254,735,497</u>	<u>9,163,817,396</u>

<sup>1</sup> State sales and use tax total collections for 2021 and 2022 were adjusted to exclude medical marijuana tax collections of \$2,024,672 and \$10,778,767, respectively.

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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
State Sales and Use Tax <sup>1</sup>	\$ 3,911,241,262	4,019,031,184	4,114,248,751	4,273,691,726	4,275,538,860	4,271,977,366	4,238,870,043	4,242,927,669	4,503,052,763	4,533,874,791
Local Sales and Use Tax	3,320,101,857	3,558,616,928	3,759,036,143	3,903,524,378	3,869,854,939	4,054,995,736	4,156,354,404	4,198,454,991	4,365,269,556	4,629,942,605
Total Collections	\$ <u>7,231,343,119</u>	<u>7,577,648,112</u>	<u>7,873,284,894</u>	<u>8,177,216,104</u>	<u>8,145,393,799</u>	<u>8,326,973,102</u>	<u>8,395,224,447</u>	<u>8,441,382,660</u>	<u>8,868,322,319</u>	<u>9,163,817,396</u>

<sup>1</sup> State sales and use tax total collections for 2021 and 2022 were adjusted to exclude medical marijuana tax collections of \$2,024,672 and \$10,778,767, respectively, prior to adjusting for inflation.

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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cities <sup>1</sup>	\$ 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	2,443,486,316
Counties <sup>1</sup>	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	2,095,963,861
Districts <sup>1</sup>										
Ambulance Districts	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	77,975,806
Emergency Service Districts	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	18,425,091
Fire Protection Districts	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	26,230,656
Hospital Districts	329,590	383,322	394,732	417,350	403,102	369,693	586,903	739,467	788,299	827,464
Public Library Districts	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	2,109,747
Regional Jail Districts	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	1,376,009
Regional Recreation Districts	3,146	3,857	5,383	3,528	4,639	13,888	14,045	8,992	10,551	8,991
Tourism Community Districts	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	11,136,379
Zoological Districts	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	20,770,102
Transportation Development Districts	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	96,648,575
Community Improvement Districts <sup>2</sup>	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	96,826,045
Community Development Districts	3,177,621	3,238,916	3,607,775	3,770,163	3,854,222	0	0	0	0	0
Port Improvement Districts	0	0	0	131,268	205,849	278,081	214,145	259,287	219,204	361,753
Total Districts	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	352,696,618
Total Local Distributions	\$ 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	4,892,146,795

<sup>1</sup> 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.

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

Source: DOR records