



Scott Fitzpatrick

Missouri State Auditor

Department of Revenue

Sales, Use, and Marijuana Taxes

Report No. 2025-013

March 2025

auditor.mo.gov



Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Department of Revenue Sales, Use, and Marijuana Taxes

Collection of Local Sales Taxes	The Department of Revenue (DOR) did not follow existing policy and procedures to ensure taxpayers are assessed the correct local sales tax rate for motor vehicle sales tax transactions. As a result, the DOR cannot ensure it is collecting the correct amount of local sales taxes and fully meeting the statutory requirement for the administration, collection, enforcement, and operation of local sales taxes imposed by state law. The audit reviewed 90 motor vehicle sales tax transactions for the year ended June 30, 2023, and identified 22 transactions (24 percent) with an incorrect site code resulting in the incorrect amount of local sales tax being assessed.
Timely Sales and Use Tax Discounts	As noted in multiple previous audit reports, state law allows retailers to retain a portion of sales and use taxes collected if they remit the taxes to the DOR timely, resulting 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.
Marijuana Taxes	Even though the first sales of medical marijuana began in October 2020, and the first sales of adult use marijuana began in February 2023, the DOR has not conducted any audits of marijuana tax returns as of January 2025. Audits of tax returns are necessary to help ensure compliance with tax laws, prevent and detect fraud and tax evasion, and identify and correct errors and omissions. The DOR did not document any calculations or justification to support how the 1 percent collection fee withheld from medical and adult use marijuana tax collections was determined.

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, Use, and Marijuana Taxes

Table of Contents

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

Introduction	4
Background	4

Management Advisory Report - State Auditor's Findings	10
1. Collection of Local Sales Taxes	10
2. Timely Sales and Use Tax Discounts	12
3. Marijuana Taxes	16

Organization and Statistical Information	18
---	----

Appendixes

A Department of Revenue Response to Audit Recommendations.....	21
B Combined Statement of Sales, Use, and Marijuana Tax Receipts and Distributions - State Funds Year Ended June 30, 2023	23
C Combined Statement of Sales and Use Tax Receipts, Distributions, and Changes in Cash and Investments - Local Funds Year Ended June 30, 2023	24
D Combined Statement of Sales and Use Tax Additions, Deductions, and Changes in Cash and Investments - Custodial Accounts Year Ended June 30, 2023	25
E Combined Statement of Sales and Use Tax Distributions - Local Funds Year Ended June 30, 2023	26
F Comparative Statement of State and Local Sales, Use, and Marijuana Tax Collections 10 Years Ended June 30, 2023.....	27
G Comparative Statement of State and Local Sales, Use, and Marijuana Tax Collections - Adjusted for Inflation 10 Years Ended June 30, 2023.....	28
H Comparative Statement of Sales and Use Tax Distributions - Local Funds 10 Years Ended June 30, 2023.....	29
I Comparison of Sales and Use Tax Timely Discounts by State	30



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

Honorable Mike Kehoe, Governor
and
Members of the General Assembly
and
Trish Vincent, 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. In addition, we have audited certain operations of the Department of Revenue, marijuana tax collections 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, 2023. 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, use, and marijuana taxes.
2. Evaluate the department's compliance with certain legal provisions related to the collection and distribution of sales, use, and marijuana 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, use, and marijuana 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, use, and marijuana tax collections and distributions, and performed sample testing of sales, use, and marijuana 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 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

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. We obtained the views of responsible Department of Revenue officials and included them in the report. Due to Management Advisory Report finding number 2 being legislative in nature, we were unable to obtain views of responsible officials for that finding.

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) a significant deficiency 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 findings arising from our audit of the Department of Revenue, sales, use, and marijuana tax collections and distributions.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive, flowing style.

Scott Fitzpatrick
State Auditor

Department of Revenue

Sales, Use, and Marijuana Taxes

Introduction

Background

Sales and use tax

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.



Department of Revenue
Sales, Use, and Marijuana Taxes
Introduction

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.

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 is deposited 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 deposited into 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



Department of Revenue
Sales, Use, and Marijuana Taxes
Introduction

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.

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



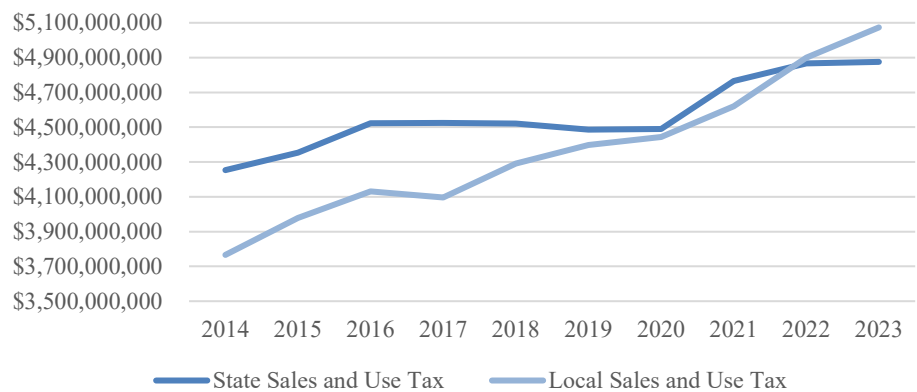
Department of Revenue
Sales, Use, and Marijuana Taxes
Introduction

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.

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 2014 and fiscal year 2023. Adjusted state sales and use tax collections increased from \$4.25 billion to \$4.88 billion (15 percent), while adjusted local sales and use tax collections increased from \$3.77 billion to \$5.07 billion (35 percent) during this time period.

Figure 1: State and local sales and use tax collections, 2014-2023, by fiscal year, adjusted for inflation



Source: DOR annual reports, SAO analysis of inflation calculations using Federal Reserve Bank of St. Louis, *Consumer Price Index for All Urban Consumers*, <<https://fred.stlouisfed.org/series/CPIAUCSL>>, accessed February 21, 2024. See additional detail at Appendix G.

Local sales taxes collected exceeded state sales taxes for the first time in fiscal year 2022, with this trend continuing in fiscal year 2023. The state sales and use tax rate has remained at 4.225 percent during the 10 years depicted in Figure 1. 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,¹ Missouri's average local sales tax rate was 4.14 percent as of July 1, 2023. In addition, the increasing number of districts has contributed to the total increase in local sales tax collections. The total number of districts has increased from approximately 470 in fiscal year 2014 to approximately 790 in fiscal year 2023 (68 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

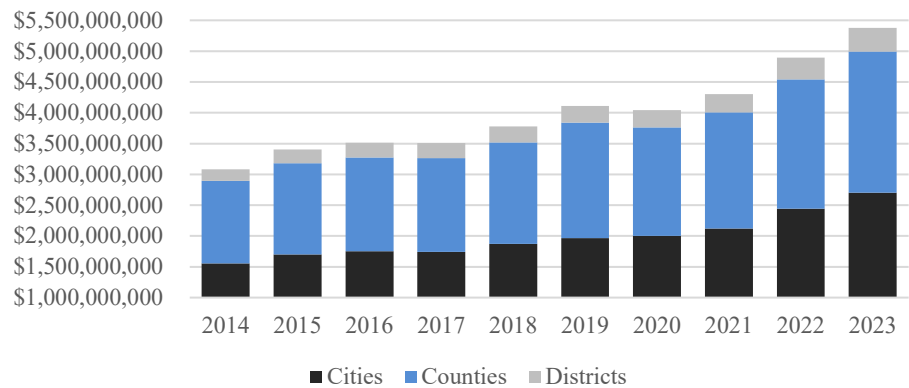
¹ Tax Foundation, *State and Local Sales Tax Rates, Midyear 2023*, July 2023, <<https://taxfoundation.org/2023-sales-tax-rates-midyear/>>, accessed April 16, 2024.



Department of Revenue
Sales, Use, and Marijuana Taxes
Introduction

Figure 2, local sales and use tax collections and subsequent distributions have increased for most years between fiscal year 2014 and fiscal year 2023.²

Figure 2: Local sales and use tax distributions by political subdivision type, 2014-2023, by fiscal year



Source: DOR records. See additional detail at Appendix H.

Marijuana tax

Article XIV, Section 1, Missouri Constitution, adopted in November 2018, made the sale of medical marijuana legal and imposed state taxes on the sale. The first licensed sales of medical marijuana began in October 2020.

Article XIV, Section 2, Missouri Constitution, adopted in November 2022, made the sale of adult use (also known as non-medical or recreational) marijuana legal and imposed state taxes on the sale. The first licensed sales of adult use marijuana began in February 2023.

Article XIV, Section 2.6(5), Missouri Constitution, authorizes the governing body of any local government to impose, by ordinance or order once approved by the voters of the political subdivision, an additional local sales tax on the sale of adult use marijuana sold in such political subdivision. The first additional local sales tax collections on adult use marijuana sales began in October 2023.

The marijuana taxes levied pursuant to Article XIV, Sections 1 and 2, Missouri Constitution, are separate from, and in addition to, any general state and local sales and use taxes that apply to retail sales, which shall continue to be collected and distributed as provided by law (see Sales and Use Tax discussion above).

The DOR administers transactions related to state marijuana taxes and local marijuana sales taxes in the following funds.

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



Department of Revenue
Sales, Use, and Marijuana Taxes
Introduction

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.

Missouri Veterans' Health and Care Fund: This fund, authorized by Article XIV, Section 1.4, Missouri Constitution, receives the 4 percent tax levied on the retail sale of marijuana for medical use sold at medical marijuana dispensary facilities within the state. These tax collections are expended by the Missouri Department of Health and Senior Services (DHSS) for operating expenses to carry out its responsibilities under Article XIV, Section 1, Missouri Constitution, and by the Missouri Veterans Commission for costs related to its various programs and services. For the fiscal year ended June 30, 2023, medical marijuana taxes totaling approximately \$16.3 million were deposited into this fund.

Veterans, Health, and Community Reinvestment Fund: This fund, authorized by Article XIV, Section 2.6, Missouri Constitution, receives the 6 percent tax levied on the retail sale of adult use marijuana sold to consumers at marijuana facilities licensed within the state. These tax collections are expended by the DHSS for operating expenses to carry out its responsibilities under Article XIV, Section 2, Missouri Constitution, and by government entities to carry out responsibilities for the expungement of criminal history records. The remaining balance is distributed in thirds to the DHSS, the Missouri Veterans Commission, and the Missouri State Public Defender System to be used in accordance with provisions of Article XIV, Section 2.6, Missouri Constitution. For the fiscal year ended June 30, 2023, adult use marijuana taxes totaling approximately \$19.4 million were deposited into this fund.

Local Fund

Sales and use tax collections for the local fund are deposited into an interest-bearing bank account under the administrative control of the DOR and allocated to an investment pool until distributed.

Local Sales and Use Tax Trust Fund: This fund receives collections generated from the additional sales tax, not to exceed 3 percent, that may be imposed by local political subdivisions on the sale of adult use marijuana, as authorized by Article XIV, Section 2.6(5), Missouri Constitution. Tax collections are subsequently distributed to the applicable cities and counties.

Department of Revenue

Sales, Use, and Marijuana Taxes

Management Advisory Report - State Auditor's Findings

1. Collection of Local Sales Taxes

The Department of Revenue (DOR) did not follow existing policy and procedures to ensure taxpayers are assessed the correct local sales tax rate for motor vehicle sales tax transactions. As a result, the DOR cannot ensure it is collecting the correct amount of local sales taxes and fully meeting the statutory requirement for the administration, collection, enforcement, and operation of local sales taxes imposed by state law. During the year ended June 30, 2023, the DOR collected approximately \$493 million in local sales taxes from motor vehicle sales tax transactions. Our initial transaction testing resulted in an 8 percent error rate.

Background information

When a taxpayer purchases a vehicle, the taxpayer is required to title the vehicle and pay motor vehicle state and local sales taxes at a contract license office or the central license office. These transactions are processed by license office personnel in the Titling and Registration Intranet Processing System (TRIPS). This system is linked with DOR's computerized rate system. Based on the address of the taxpayer, the DOR's computerized rate system assigns the address of the taxpayer a local site code in the TRIPS. This local site code identifies the applicable local sales tax rate to be charged to the taxpayer. If the rate system is unable to provide a local site code or if the taxpayer disagrees with the recommended local site code, license office personnel are required to ask the taxpayer to identify the local tax jurisdiction in which the taxpayer lives. The license office personnel can then change the local site code for the motor vehicle sales tax transaction in the TRIPS and must provide one of the following reasons in the TRIPS to support the change:

- Tax receipt - License office personnel review the property tax receipt for county, city, and/or district taxes paid by the taxpayer.
- Letter from tax jurisdiction - License office personnel review the letter from the tax jurisdiction indicating the location of the taxpayer's address.
- None - The DOR will research if the change is appropriate.
- Other - License office personnel will enter the justification for the change, for example, contacted the county collector or verified with the county assessor.

Incorrect local site codes

We reviewed 90 motor vehicle sales tax transactions for the year ended June 30, 2023, and identified 22 transactions (24 percent) with an incorrect site code resulting in the incorrect amount of local sales tax being assessed.

We performed an initial review of 25 motor vehicle sales tax transactions with each transaction selected from a different contract license office. The testing population included the 174 contract license offices and any of the business days the contract license offices were open during fiscal year 2023. This review identified 2 transactions (8 percent error rate) with an incorrect site code resulting in an incorrect amount of local sales tax being assessed. As a result of identifying these errors, we performed an additional review of 65 motor vehicle sales tax transactions that included 30 transactions selected



Department of Revenue
Sales, Use, and Marijuana Taxes
Management Advisory Report - State Auditor's Findings

from each of the 2 contract license offices with initial errors, and 1 transaction selected from 5 different contract license offices not included in the initial review. We noted an additional 20 errors due to incorrect site codes from this review with all errors occurring at the 2 contract license offices with the initial errors.

For 20 of the 22 transactions with an incorrect site code, a site code change was required as the rate system was unable to provide a local site code. A reason of "None" was provided for each of these changes, and the DOR did not research the change for appropriateness, as required by existing DOR procedures. Based on our review of the errors noted, some taxpayers were charged certain local taxes where they should not have been, while others were not charged certain local taxes that they should have been assessed.

According to DOR procedures, for all local site code changes that occur and for which a reason of "None" is provided, research will be done to ensure the change is appropriate. However, this procedure is not being followed by the DOR. DOR personnel stated they do not have sufficient staffing to review every transaction that has a reason of "None." DOR personnel further stated they review transactions that are brought to their attention by customers and through periodic reviews conducted by field coordinators and auditors to determine if the correct site code was used. Based on our review of DOR data, there were at least 144,000 local site code change transactions with "None" provided as the reason for the year ended June 30, 2023.

Section 32.087.6, RSMo, requires the DOR to perform all functions incident to the administration, collection, enforcement, and operation of local sales taxes imposed by state law. By not following established procedures and not ensuring taxpayers are assessed the correct local sales tax rate for motor vehicle sales tax transactions, this statutory requirement cannot be fully met and the DOR cannot ensure the correct amount of local sales taxes are collected.

Recommendation

The DOR ensure established procedures are being followed, and evaluate the necessity of implementing new controls and procedures to ensure the correct local site code is used for all motor vehicle sales tax transactions and taxpayers are being assessed the correct local sales tax rate.

Auditee's Response

The Department's response is included at Appendix A.



2. Timely Sales and Use Tax Discounts

Missouri's discount is the most generous in the nation

As noted in multiple previous audit reports,³ state law allows retailers to retain a portion of sales and use taxes collected if they remit the taxes to the DOR timely, resulting 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 timely sales and use tax discount is the most generous discount in the nation. Section 144.140,⁴ 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,⁵ which is defined by the due date established by the DOR. Additionally, the total discount is not capped. This resulted in \$174 million of sales and use tax collections being retained by businesses in fiscal year 2023 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 2014 and has increased for most years between fiscal year 2014 and fiscal year 2023. State and local sales tax revenues of approximately \$158 million and \$174 million were collected from purchasers, but retained as discounts by businesses remitting sales and use taxes in fiscal years 2022 and 2023, respectively.

³ Report No. 2023-040, *Sales and Use Tax*, issued in August 2023; 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.

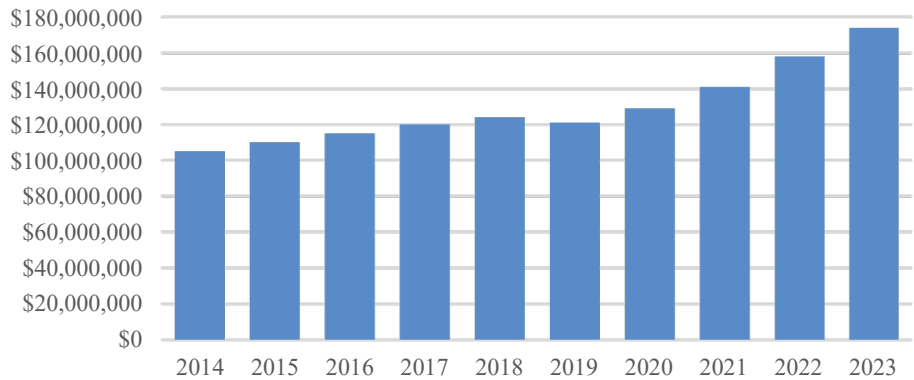
⁴ Effective January 1, 2023, Section 144.710, RSMo, was repealed and the discount authorized in that section was added to Section 144.140, RSMo.

⁵ 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, Use, and Marijuana Taxes
Management Advisory Report - State Auditor's Findings

Figure 3: Timely discount totals, 2014-2023, by fiscal year⁶



Source: DOR records

In fiscal year 2023, sales and use taxes comprised approximately 20 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.

As shown in Appendix I, 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,⁷ 27 other states offer similar vendor discounts; however, 19⁸ of those states have established ceilings to limit the amount of discount and/or compensation retained by businesses. In addition, the other 8 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).

Of the eight states contiguous to Missouri, three (Iowa, Oklahoma, and Kansas) do not allow businesses to retain any sales tax receipts for timely payments, and four (Kentucky, Tennessee, Arkansas, and Nebraska) allow discounts based on a percentage of taxes, but have established ceilings. These ceilings range from a low of \$25 per filed report to a high of \$1,000 per month per business.

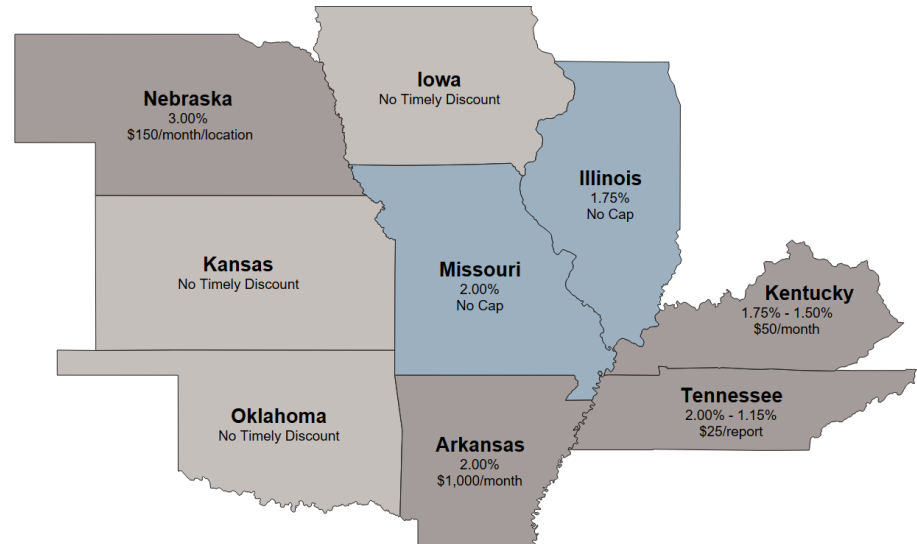
⁶ Timely discount totals included in Figure 3 are as of June 30 for each fiscal year; however, adjustments can be made to these amounts in subsequent years for various reasons, such as amended tax returns or audited tax returns.

⁷ Federation of Tax Administrators, *State Sales Tax Rates and Vendor Discounts*, January 1, 2023, <https://taxadmin.org/wp-content/uploads/resources/tax_rates/vendors.pdf>, accessed December 6, 2024. This report did not list that Missouri has a 2 percent discount.

⁸ 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.



Figure 4: Sales tax discounts in surrounding states



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 for each month included in the tax report filed. Applying Arkansas's cap of \$1,000 per month (the largest cap of contiguous states) to Missouri would have resulted in approximately \$104.3 million in additional state and local sales tax revenue during fiscal year 2023.

In fiscal year 2023, 2,850 sales tax filers received timely discounts in excess of \$1,000 in at least 1 month during the year. This is an increase of 227 filers from fiscal year 2022 and 609 filers from fiscal year 2021. Limiting these 2,850 filers to Arkansas's \$1,000 monthly cap would result in an additional \$52.7 million in state sales tax revenue and \$51.6 million in local sales tax revenue in fiscal year 2023.

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

In fiscal year 2023, the 50 largest sales tax collecting businesses retained approximately 57 percent of timely discounts exceeding \$1,000, with the top 5 largest sales tax collecting businesses receiving a total of \$26 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 8.36 percent,⁹ only businesses with monthly taxable sales of approximately \$598,000 would have their timely discount capped. Retailers with less than

⁹ Tax Foundation, *State and Local Sales Tax Rates, Midyear 2023*, July 2023, <<https://taxfoundation.org/2023-sales-tax-rates-midyear/>>, accessed April 16, 2024. Calculation regarding the estimated monthly taxable sales was based on this estimated average sales tax rate.



Department of Revenue
Sales, Use, and Marijuana Taxes
Management Advisory Report - State Auditor's Findings

\$598,000 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. The current state law for the timely sales tax discount has been in effect since 1963, with minor revisions in 2023. 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.¹⁰ 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 previously 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 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.

¹⁰ Missouri Budget Project, *Timely Filing Discount Costs Missourians Millions*, October 18, 2016, <<http://www.mobudget.org/timely-filing-discount/>>, accessed April 16, 2024.



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.

3. Marijuana Taxes

The DOR has not conducted any audits of marijuana tax returns. In addition, the DOR did not document any calculations or justification to support how the collection fee withheld from medical and adult use marijuana tax collections was determined.

3.1 Marijuana tax returns have not been audited

As of January 2025, the DOR has not conducted any audits of marijuana tax returns. The first sales of medical marijuana began in October 2020, and the first sales of adult use marijuana began in February 2023. During fiscal year 2023, approximately 1,500 marijuana tax returns were processed by the DOR with taxable sales totaling approximately \$806.9 million. The DOR collected marijuana taxes totaling approximately \$16.4 million and \$19.6 million for medical marijuana and adult use marijuana, respectively, during fiscal year 2023. DOR officials stated they are still in the process of adjusting their audit model and developing audit procedures for marijuana tax returns.

Missouri's marijuana industry is growing rapidly, with sales and associated tax revenues expected to grow significantly. Marijuana tax returns developed by the DOR are newly created forms, and are separate from the standard sales tax return, creating a higher risk of noncompliance. Audits of tax returns are necessary to help ensure compliance with tax laws, prevent and detect fraud and tax evasion, and identify and correct errors and omissions. Developing a program to audit marijuana tax returns also helps to promote public trust and confidence in the tax system by establishing an environment of compliance.

3.2 Collection costs

The DOR did not document any calculations or justification to support how the collection fee withheld from medical and adult use marijuana tax collections was determined. According to Article XIV, Sections 1 and 2, Missouri Constitution, the DOR is authorized to retain no more than 2 percent for its actual collection costs for medical marijuana tax, and no more than 2 percent of the total tax collected or its actual collection costs, whichever is less, for adult use marijuana tax. Calculations were not performed by DOR personnel to determine actual collection costs. Rather, DOR personnel stated the collection fee for marijuana taxes was set at the same 1 percent used for retail sales and use taxes. No documentation was maintained by the DOR to support this decision. DOR personnel further indicated they could calculate the costs of collection later if they start to see the 1 percent was not sufficient; however, they have not reached this point yet.

An analysis of the actual cost of collecting marijuana taxes to the fees withheld is necessary to ensure the fees collected are set at an appropriate level, and are sufficient to cover actual collection costs, but also to ensure fees do not exceed actual costs.



Department of Revenue
Sales, Use, and Marijuana Taxes
Management Advisory Report - State Auditor's Findings

Recommendations

The DOR:

- 3.1 Establish procedures for performing audits of marijuana tax returns.
- 3.2 Calculate actual costs for collecting marijuana taxes and compare the total costs to total collection fees withheld. Evaluate if any adjustment to the collection fee is necessary and continue to perform this comparison on a periodic basis.

Auditee's Response

The Department's response is included at Appendix A.

Department of Revenue

Sales, Use, and Marijuana Taxes

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, motor vehicle sales tax, and medical and adult use marijuana 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, medical marijuana, adult use marijuana, 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



Department of Revenue
Sales, Use, and Marijuana Taxes
Organization and Statistical Information

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. (3) The Business Tax Bureau administers motor fuel, cigarette and other tobacco products, financial institutions, sales and use, medical marijuana, adult use marijuana, 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



Department of Revenue
Sales, Use, and Marijuana Taxes
Organization and Statistical Information

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.

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.

Wayne Wallingford served as Director of Revenue from January 1, 2022, through January 13, 2025. Trish Vincent was appointed Director of Revenue on January 13, 2025.



Appendix A
Department of Revenue - Sales, Use, and Marijuana Taxes
Department of Revenue Response to Audit Recommendations



MIKE KEHOE
GOVERNOR

TRISH VINCENT
DIRECTOR OF REVENUE

MISSOURI DEPARTMENT OF REVENUE
POST OFFICE BOX 311
JEFFERSON CITY, MISSOURI 65105-0311
PHONE: (573) 751-4450
FAX: (573) 751-7150
WEBSITE: www.dor.mo.gov

March 4, 2025

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, Use, and Marijuana Tax.

Recommendation 1 — The DOR ensure established procedures are being followed, and evaluate the necessity of implementing new controls and procedures to ensure the correct local site code is used for all motor vehicle sales tax transactions and taxpayers are being assessed the correct local sales tax rate.

DOR Response 1 — The Department updated its procedures and system on May 19, 2024, to remove the option of "None" from the site code options. In addition, the Department implemented an enhanced address mapping system on October 20, 2024.

Recommendation 2 — 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.



Appendix A
Department of Revenue - Sales, Use, and Marijuana Taxes
Department of Revenue Response to Audit Recommendations

DOR Response 2 — If the General Assembly passes legislation that requires action, the Department will incorporate those provisions into our processes and comply with any state laws regarding this recommendation.

Recommendation 3.1 — Establish procedures for performing audits of marijuana tax returns.

DOR Response 3.1 — The Department is finalizing the procedures for performing audits of marijuana tax returns and will begin to conduct audits within the next couple of months.

Recommendation 3.2 — Calculate actual costs for collecting marijuana taxes and compare the total costs to total collection fees withheld. Evaluate if any adjustment to the collection fee is necessary and continue to perform this comparison on a periodic basis.

DOR Response 3.2 — The Department is evaluating the method for determining and adjusting for the actual cost of collecting marijuana taxes.

If you have any questions, please contact me at 526-1207 or Joshua.Shope@dor.mo.gov.

Sincerely,

Trish Vincent
Director, Department of Revenue

JKS/

C: Cheryl Bosch
Cindy Doss
Kelly Horstman
Jackie Bemboom
Ken Struempf
Hannah Wilson
Daniel Follett
Dustin Birch

Appendix B

Department of Revenue
 Sales, Use, and Marijuana Taxes
 Combined Statement of Sales, Use, and Marijuana Tax Receipts and Distributions - State Funds
 Year Ended June 30, 2023

	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	Missouri Veterans' Health and Care Fund	Veterans, Health, and Community Reinvestment Fund	Total (Memorandum Only)
Receipts													
Marine/ATV/Manufactured sales and use tax	\$ 12,381,004	0	507,698	0	203,079	4,060,552	202,780	0	0	0	0	0	17,355,113
Motor vehicle sales and use tax ¹	6,006,847	0	17,781,332	(824)	7,112,537	71,127,516	7,112,538	213,382,546	207,692,042	5,690,201	0	0	535,904,735
Sales and use tax	2,956,231,847	7,433,514	141,716,783	0	56,696,288	1,131,071,082	56,696,301	8,578,530	8,349,628	228,758	0	0	4,367,002,731
Medical marijuana tax											16,251,825	0	16,251,825
Adult use marijuana tax											0	19,416,751	19,416,751
Total Receipts	2,974,619,698	7,433,514	160,005,813	(824)	64,011,904	1,206,259,150	64,011,619	221,961,076	216,041,670	5,918,959	16,251,825	19,416,751	4,955,931,155
Distributions													
Transmitted to State Treasurer	2,974,619,698	7,433,514	160,005,813	(824)	64,011,904	1,206,259,150	64,011,619	221,961,076	216,041,670	5,918,959	16,251,825	19,416,751	4,955,931,155
Total Distributions	2,974,619,698	7,433,514	160,005,813	(824)	64,011,904	1,206,259,150	64,011,619	221,961,076	216,041,670	5,918,959	16,251,825	19,416,751	4,955,931,155
Receipts Over (Under) Distributions	\$ 0	0	0	0	0	0	0	0	0	0	0	0	0

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

Source: DOR records

Appendix C

Department of Revenue

Sales, Use, and Marijuana Taxes

Combined Statement of Sales and Use Tax Receipts, Distributions, and Changes in Cash and Investments - Local Funds

Year Ended June 30, 2023

	Local Fuel Tax and Bond Trust Fund	Local Sales and Use Tax Trust Fund	Total (Memorandum Only)
Receipts			
Motor fuel taxes and fees	\$ 326,563,608	0	326,563,608
Sales tax	71,127,515	4,703,473,968	4,774,601,483
Use tax ¹	(100)	369,958,773	369,958,673
Miscellaneous tax	0	50,024,355	50,024,355
Protested tax ²	0	(1,315)	(1,315)
Motor fuel bond	2,500	0	2,500
Motor fuel pool bond	8,279	0	8,279
Interest income	428,228	12,973,747	13,401,975
Total Receipts	<u>398,130,030</u>	<u>5,136,429,528</u>	<u>5,534,559,558</u>
Distributions			
Political subdivisions	356,238,365	4,940,984,673	5,297,223,038
General Revenue Fund	0	102,824,927	102,824,927
Total Distributions	<u>356,238,365</u>	<u>5,043,809,600</u>	<u>5,400,047,965</u>
Receipts Over (Under) Distributions	41,891,665	92,619,928	134,511,593
Interest Transfers			
Interest transfers from:			
Non-state funds	0	231,641	231,641
Total Transfers	<u>0</u>	<u>231,641</u>	<u>231,641</u>
Receipts Over (Under) Distributions and Transfers	41,891,665	92,851,569	134,743,234
Cash and Investments, July 1	36,165,425	669,271,576	705,437,001
Cash and Investments, June 30	<u>\$ 78,057,090</u>	<u>762,123,145</u>	<u>840,180,235</u>

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

² Negative receipts are due to the clearing of protested taxes.

Source: DOR records

Appendix D

Department of Revenue

Sales, Use, and Marijuana Taxes

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

Year Ended June 30, 2023

	Motor Vehicle Clearing Account ¹	Sales Tax Bond Account ²	Total (Memorandum Only)
Additions			
Miscellaneous tax collections	\$ 1,388,375,618	0	1,388,375,618
Bond collections net of forfeitures ³	0	(227,583)	(227,583)
Interest income	1,255,606	0	1,255,606
Total Additions	1,389,631,224	(227,583)	1,389,403,641
Deductions			
Miscellaneous taxes and interest	1,382,331,340	0	1,382,331,340
Bonds and interest	0	3,161,252	3,161,252
Total Deductions	1,382,331,340	3,161,252	1,385,492,592
Additions Over (Under) Deductions	7,299,884	(3,388,835)	3,911,049
Cash and Investments, July 1 ⁴	56,424,191	6,969,701	63,393,892
Cash and Investments, June 30	\$ 63,724,075	3,580,866	67,304,941

¹ Held by the department in trust.

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

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

⁴ The July 1 balance has been restated for the Sales Tax Bond Account.

Source: DOR records

Appendix E

Department of Revenue
 Sales, Use, and Marijuana Taxes
 Combined Statement of Sales and Use Tax Distributions - Local Funds
 Year Ended June 30, 2023

	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	\$ 203,254,571	873,802,609	962,161,513	43,254,775	355,539,603	263,990,793	0	0	0	2,702,003,864
Counties ¹	156,815,985	0	0	0	255,068,182	106,435,763	606,520,106	1,166,357,443	0	2,291,197,479
Districts: ¹										
Ambulance Districts	0	0	0	0	0	0	0	0	83,143,709	83,143,709
Emergency Service Districts	0	0	0	0	0	0	0	0	20,591,383	20,591,383
Fire Protection Districts	0	0	0	0	0	0	0	0	29,208,696	29,208,696
Hospital Districts	0	0	0	0	0	0	0	0	866,870	866,870
Public Library Districts	0	0	0	0	0	0	0	0	2,183,854	2,183,854
Regional Jail Districts	0	0	0	0	0	0	0	0	1,480,046	1,480,046
Regional Recreation Districts	0	0	0	0	0	0	0	0	12,168	12,168
Tourism Community Districts	0	0	0	0	0	0	0	0	11,376,279	11,376,279
Zoological Districts	0	0	0	0	0	0	0	0	22,166,392	22,166,392
Transportation Development Districts	0	0	0	0	0	0	0	0	105,113,777	105,113,777
Community Improvement Districts	0	0	0	0	0	4,243,180	0	0	105,809,378	110,052,558
Port Improvement Districts	0	0	0	0	0	69,977	0	0	344,684	414,661
Total	\$ <u>360,070,556</u>	<u>873,802,609</u>	<u>962,161,513</u>	<u>43,254,775</u>	<u>610,607,785</u>	<u>374,739,713</u>	<u>606,520,106</u>	<u>1,166,357,443</u>	<u>382,297,236</u>	<u>5,379,811,736</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, Use, and Marijuana Taxes
Comparative Statement of State and Local Sales, Use, and Marijuana Tax Collections

	Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
State Sales and Use Tax ¹	\$ 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	4,598,776,211	4,875,381,055
Local Sales and Use Tax	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	5,073,432,741
Total Sales and Use Tax Collections	<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>9,228,718,816</u>	<u>9,948,813,796</u>
State Marijuana Tax ²								2,024,672	10,778,767	36,035,800
Total Marijuana Tax Collections								<u>2,024,672</u>	<u>10,778,767</u>	<u>36,035,800</u>
Total Collections	\$ <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>8,256,760,169</u>	<u>9,239,497,583</u>	<u>9,984,849,596</u>

¹ State sales and use tax total collections for 2021 and 2022 were restated in the DOR annual report for 2023.

² Collection of state medical marijuana tax began in October 2020 and collection of state adult use marijuana tax began in March 2023, while collection of the additional local sales tax on adult use marijuana sales began in October 2023 and is not included in this year's report.

Source: DOR annual reports

Appendix G

Department of Revenue
Sales, Use, and Marijuana Taxes

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

	Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
State Sales and Use Tax ¹	\$ 4,253,283,780	4,354,051,184	4,522,787,425	4,524,742,221	4,520,973,143	4,485,768,112	4,490,300,015	4,765,327,624	4,866,309,809	4,875,381,055
Local Sales and Use Tax	3,766,033,894	3,978,134,711	4,131,044,564	4,095,412,674	4,291,344,557	4,398,446,251	4,443,234,479	4,619,519,402	4,899,289,307	5,073,432,741
Total Sales and Use Tax Collections	<u>8,019,317,674</u>	<u>8,332,185,895</u>	<u>8,653,831,989</u>	<u>8,620,154,895</u>	<u>8,812,317,700</u>	<u>8,884,214,363</u>	<u>8,933,534,494</u>	<u>9,384,847,026</u>	<u>9,765,599,116</u>	<u>9,948,813,796</u>
State Marijuana Tax ²								2,301,859	11,405,821	36,035,800
Total Marijuana Tax Collections								<u>2,301,859</u>	<u>11,405,821</u>	<u>36,035,800</u>
Total Collections	\$ <u>8,019,317,674</u>	<u>8,332,185,895</u>	<u>8,653,831,989</u>	<u>8,620,154,895</u>	<u>8,812,317,700</u>	<u>8,884,214,363</u>	<u>8,933,534,494</u>	<u>9,387,148,885</u>	<u>9,777,004,937</u>	<u>9,984,849,596</u>

¹ State sales and use tax total collections for 2021 and 2022 were restated in the DOR annual report for 2023, prior to adjusting for inflation.

² Collection of state medical marijuana tax began in October 2020 and collection of state adult use marijuana tax began in March 2023, while collection of the additional local sales tax on adult use marijuana sales began in October 2023 and is not included in this year's report.

Source: DOR annual reports, SAO analysis of inflation calculations using Federal Reserve Bank of St. Louis, *Consumer Price Index for All*

Appendix H

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

	Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cities ¹	\$ 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	2,702,003,864
Counties ¹	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	2,291,197,479
Districts ¹										
Ambulance Districts	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	83,143,709
Emergency Service Districts	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	20,591,383
Fire Protection Districts	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	29,208,696
Hospital Districts	383,322	394,732	417,350	403,102	369,693	586,903	739,467	788,299	827,464	866,870
Public Library Districts	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	2,183,854
Regional Jail Districts	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	1,480,046
Regional Recreation Districts	3,857	5,383	3,528	4,639	13,888	14,045	8,992	10,551	8,991	12,168
Tourism Community Districts	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	11,376,279
Zoological Districts	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	22,166,392
Transportation Development Districts	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	105,113,777
Community Improvement Districts ²	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	110,052,558
Community Development Districts	3,238,916	3,607,775	3,770,163	3,854,222	0	0	0	0	0	0
Port Improvement Districts	0	0	131,268	205,849	278,081	214,145	259,287	219,204	361,753	414,661
Total Districts	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	386,610,393
Total Local Distributions	\$ 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	5,379,811,736

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

Appendix I

Department of Revenue
Sales, Use, and Marijuana Taxes
Comparison of Sales and Use Tax Timely Discounts by State

Scenario: For purposes of this comparison, a vendor filed electronically, had monthly taxable sales of \$1,500,000, and sales tax liability of \$100,000.

State	Timely Discount - Rate ¹	Timely Discount - Cap	Additional Information	Timely Discount - Monthly	Timely Discount - Adjusted for Cap
Missouri	2.00%			\$2,000	\$2,000
Illinois	1.75%		Vendors are allowed a discount of 1.75% or \$5 per calendar year, whichever amount is greater; required to file electronically.	\$1,750	\$1,750
Utah	1.31%		The discount is only allowed for monthly returns filed electronically.	\$1,310	\$1,310
Arizona	1.20%	\$12,000/year	Vendors filing paper returns can claim a rate of 1.00% (\$10,000/year max); electronic filers can claim a rate of 1.20% (\$12,000/year max).	\$1,200	\$1,000
Arkansas	2.00%	\$1,000/month		\$2,000	\$1,000
Louisiana	0.94%	\$1,500/month		\$940	\$940
Ohio	0.75%			\$750	\$750
Georgia	3.00% - 0.50%		The 3.00% discount applies to the first \$3,000 of sales tax due; must file and pay electronically.	\$575	\$575
Virginia	1.12%-0.56%		The discount rate is: 1.12% for monthly taxable sales up to \$62,500, 0.84% for taxable sales of \$62,501 to \$208,000, and 0.56% for taxable sales of \$208,001 or more. No discount allowed if the average monthly sales tax liability exceeds \$20,000.	\$560	\$560
Indiana	0.73% - 0.26%		The discount rate is 0.73% if total sales tax collected is less than \$60,000; 0.53% if sales tax collected is between \$60,000 and \$600,000; 0.26% if total sales tax collected is more than \$600,000.	\$530	\$530
Maryland	1.20% - 0.90%	\$500/return	The 1.20% discount applies to the first \$6,000 of sales tax due, 0.90% on the remaining amount due.	\$918	\$500
Michigan	0.75%	\$20,000/month	The discount applies to 2/3 of the taxes due. For monthly filers, if tax is more than \$1,200 and paid before the 12th of the month, the discount is 0.75% with a maximum of \$20,000. If tax is more than \$1,800 and paid between the 13th and 20th of the month, the discount is 0.50% with a maximum of \$15,000.	\$500	\$500
Texas	0.50%		An additional discount of 1.25% applies for early payment.	\$500	\$500
Wisconsin ²	0.50%	\$1,000/reporting period	The discount is equal to the total sales tax if the tax due is \$0 to \$10. The discount is \$10 if the tax due is \$10 to \$2,000. The discount is 0.50% if the tax due is \$2,000 or greater, with a \$1,000/reporting period maximum.	\$500	\$500
Wyoming ³	1.95% - 1.00%	\$500/month	The 1.95% discount applies to the first \$6,250 of sales tax due; 1.00% on the remainder.	\$1,059	\$500
Alabama	5.00% - 2.00%	\$400/month	The 5.00% discount applies to the first \$100 of sales tax due, 2.00% on all amounts over \$100.	\$2,003	\$400
South Carolina ⁴	3.00% - 2.00%	\$3,000-\$3,100/year	For total tax due less than \$100, the discount is 3.00%. The discount is reduced to 2.00% for total tax due of \$100 or more. The maximum discount is \$3,000/year for paper filers and \$3,100/year for electronic filers.	\$2,000	\$258
Nevada	0.25%			\$250	\$250
Nebraska	3.00%	\$150/month/location	The discount is allowed on the first \$5,000 of sales tax collected each month.	\$150	\$150
North Dakota	1.50%	\$110/month	Sales tax permit holders are allowed a maximum of \$110 per month while wholesalers are allowed a maximum of \$100 per month.	\$1,500	\$110
South Dakota	1.50%	\$70/month	The discount applies to electronic filers only.	\$1,500	\$70
Kentucky	1.75% - 1.50%	\$50/month	The 1.75% discount applies to the first \$1,000 of sales tax due, 1.50% on the remainder.	\$1,503	\$50
Mississippi	2.00%	\$50/month		\$2,000	\$50
Florida	2.50%	\$30/report	The discount is only available to vendors that file and pay electronically.	\$2,500	\$30
Pennsylvania	1.00%	\$25/month	The discount is the lesser of \$25 or 1% of the tax collected for monthly filers; the lesser of \$75 or 1% for quarterly filers; and the lesser of \$150 or 1% for semi-annual filers.	\$1,000	\$25
Tennessee ⁵	2.00% - 1.15%	\$25/report	The 2.00% discount applies to the first \$2,500 of state sales tax due, 1.15% on the remainder. Vendors registered in the state were allowed a discount on state tax due, not to exceed \$25/report.	\$1,171	\$25
Colorado ⁶	4.00%	\$1,000/filing period	Vendors whose taxable sales during the filing period exceed \$1 million are not allowed a discount.	\$0	\$0
New York	5.00%	\$200/quarter or year	The discount is not available to monthly filers.	\$0	\$0

Appendix I

Department of Revenue
Sales, Use, and Marijuana Taxes
Comparison of Sales and Use Tax Timely Discounts by State

Scenario: For purposes of this comparison, a vendor filed electronically, had monthly taxable sales of \$1,500,000, and sales tax liability of \$100,000.

State	Timely Discount - Rate ¹	Timely Discount - Cap	Additional Information	Timely Discount - Monthly	Timely Discount - Adjusted for Cap
California	None				
Connecticut	None				
Hawaii	None				
Idaho	None				
Iowa	None				
Kansas	None				
Maine	None				
Massachusetts	None				
Minnesota	None				
New Jersey	None				
New Mexico	None				
North Carolina	None				
Oklahoma	None				
Rhode Island	None				
Vermont	None				
Washington	None				
West Virginia	None				
Alaska	Not Applicable				
Delaware	Not Applicable				
Montana	Not Applicable				
New Hampshire	Not Applicable				
Oregon	Not Applicable				

¹ States indicated as "None" have a state sales tax, but do not allow for a timely discount. States indicated as "Not Applicable" do not have a state sales tax.

² Effective October 1, 2023, the discount is equal to the total sales tax if the tax due is \$0 to \$10. The discount is \$10 if the tax due is \$10 to \$1,333. The discount is 0.75% if the tax due is \$1,333 or greater, with a \$8,000/reporting period maximum.

³ Effective July 1, 2024, the discount is equal to 1.95% of the total tax due if the return and payment is postmarked by the 15th of the month the tax is due. The discount is capped at \$500 per reporting period.

⁴ Out-of-state sellers not required by law to collect state sales and use tax, but do so voluntarily, are allowed a maximum discount of \$10,000 per fiscal year.

⁵ The discount applies to out-of-state sellers not required by law to register in the state, who voluntarily register to collect and remit tax. The 2.00% discount applies to the first \$2,500 of state tax due, 1.15% applies on the remainder, and there is no maximum on the discount amount.

⁶ Monthly discount amounts were not included in our analysis as the taxable sales in the scenario exceeded \$1,000,000.

Source: SAO compilation of information from: Avalara, *Vendor discounts for filing sales tax on time, a state-by-state guide*, August 5, 2024, <<https://www.avalara.com/blog/en/north-america/2021/10/vendor-discounts-for-filing-sales-tax-on-time.html>>, accessed December 6, 2024; Federation of Tax Administrators, *State Sales Tax Rates and Vendor Discounts*, January 1, 2023, <https://taxadmin.org/wp-content/uploads/resources/tax_rates/vendors.pdf>, accessed December 6, 2024; and review of various state department websites.