

# DEPARTMENT OF REVENUE

## FINANCIAL SUMMARY

	FY 2006 EXPENDITURE	FY 2007 APPROPRIATION	FY 2008 REQUEST	GOVERNOR RECOMMENDS FY 2008
Customer Services Division	\$ 0	\$ 27,811,688	\$ 24,126,784	\$ 18,345,573
Legal Services Division	0	2,334,877	2,362,441	2,428,992
Fiscal Services Division	4,462,463	13,519,442	23,708,585	23,871,992
Highway Collections	0	25,488,221	25,488,221	25,645,077
Facility Services	0	123,254	0	0
State Tax Commission	2,632,691	2,915,639	2,985,639	2,949,578
Distributions	229,417,043	224,312,577	228,384,597	228,054,577
State Lottery Commission	147,704,614	115,713,734	138,923,334	139,131,514
Division of Administration	15,883,762	0	0	0
Division of Taxation	32,549,851	0	0	0
Division of Motor Vehicle and Drivers Licensing	16,093,020	0	0	0
<b>DEPARTMENTAL TOTAL</b>	<b>\$ 448,743,444</b>	<b>\$ 412,219,432 *</b>	<b>\$ 445,979,601</b>	<b>\$ 440,427,303</b>
General Revenue Fund	90,046,098	85,437,324	95,960,900	\$ 90,103,799
Federal Funds	5,012,820	6,404,905	6,404,905	6,411,958
Child Support Enforcement Collection Fund	2,621,900	2,622,814	2,622,814	2,623,503
Health Initiatives Fund	50,419	55,873	56,257	57,267
Division of Aging Elderly Home				
Delivered Meals Trust Fund	11,406	11,860	11,860	12,216
Petroleum Storage Tank Insurance Fund	25,165	26,131	26,131	26,881
Motor Vehicle Commission Fund	612,040	1,109,954	1,113,099	1,130,607
Conservation Commission Fund	490,130	526,094	526,190	541,350
Department of Revenue Information Fund	723,256	777,756	792,012	785,954
State Highways and Transportation				
Department Fund	14,438,715	11,371,022	11,503,388	11,562,562
Lottery Enterprise Fund	147,704,614	115,836,988	138,923,334	139,131,514
Petroleum Inspection Fund	32,286	33,631	33,631	34,550
Motor Fuel Tax Fund	186,969,872	188,000,000	188,000,000	188,000,000
Department of Revenue Specialty Plate Fund	4,723	5,080	5,080	5,142
<b>Full-time equivalent employees</b>	<b>1,724.15</b>	<b>1,629.16</b>	<b>1,628.96</b>	<b>1,628.96</b>

\* Does not include \$2,298,847 recommended in the Fiscal Year 2008 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Revenue supplemental appropriations.

## DEPARTMENT SUMMARY

Governor Blunt's Fiscal Year 2008 provides a total of \$440.4 million for the Department of Revenue. The department serves as the primary revenue collection agency for the State of Missouri. It strives to ensure that all taxes and fees owed to the state are paid, taxpayers are served conscientiously and efficiently, and revenues are collected at minimal administrative expense. The core functions provided by the Department of Revenue include:

- Preparing tax forms.
- Processing tax forms, returns, associated payments, and refunds.
- Titrting and registering motor vehicles, boats and trailers.
- Licensing drivers.
- Investigating instances of suspected tax or fee avoidance.

## **DEPARTMENT OF REVENUE**

### **CUSTOMER SERVICES DIVISION**

The Customer Services Division serves Missouri citizens by providing taxation, motor vehicle, and licensing services. The Taxation Bureau is responsible for administering and enforcing taxation and collection regulations. Its collection activities include account management, lien filing, third-party collection referrals, tax clearances, and debt offsets. The bureau has eight in-state field offices (St. Louis, Kansas City, Springfield, Jefferson City, Joplin, St. Joseph, Columbia, and Cape Girardeau) that handle taxpayer assistance inquiries. Tax auditors are stationed in these offices and four out-of-state offices (Chicago, Dallas, Los Angeles, and New York) to foster compliance with Missouri tax laws. The Motor Vehicle Bureau is responsible for administering and enforcing vehicle registration and titling regulations. It titles and registers motor vehicles and watercraft, licenses motor vehicle dealers and boat dealers, and collects state and local sales/use tax and other vehicle fees. The Driver License Bureau is responsible for administering and enforcing driver license regulations and financial responsibility programs. The Customer Assistance Bureau oversees 184 contract license offices that provide driver licensing and motor vehicle titling and registration services to Missourians.

#### **Fiscal Year 2008 Governor's Recommendations**

- \$450,334 for pay plan, including \$410,023 general revenue.
- (\$9,748,457) and (16.5) staff reallocated to various divisions, including (\$1,107,793) general revenue.
- (\$167,992) and (.2) staff transferred to the Office of Administration for statewide consolidation of information technology services.

### **LEGAL SERVICES DIVISION**

The General Counsel's Office advises the director on legal matters and represents the director in legal proceedings. The Governmental Affairs Bureau develops and tracks the department's legislation and estimates the fiscal impact of legislation that relates to the department. The Criminal Investigation Bureau investigates suspected tax, motor vehicle, dealer, and driver license fraud, and prepares cases for prosecution. Human Resource Services and Development is responsible for recruitment, training, employee relations' services, and payroll processing.

#### **Fiscal Year 2008 Governor's Recommendations**

- \$66,551 for pay plan, including \$53,657 general revenue.
- \$27,564 and two staff reallocated from various divisions to the bankruptcy unit.

### **FISCAL SERVICES DIVISION**

The Director of Revenue's office supervises all operations of the department. The Financial and General Services Bureau provides accounting, procurement, cash management, stores, receiving, mail operations, warehousing, archival, delivery, motor pool, and facility services to the department. The Internal Compliance Bureau reviews and evaluates the department's accounting controls and appraises the effectiveness and efficiency of the use of department resources. Field Compliance Bureau auditors are stationed in eight in-state offices and four out-of-state offices (in the same locations as the Customer Services Division) to foster compliance with Missouri tax laws.

#### **Fiscal Year 2008 Governor's Recommendations**

- \$316,172 for pay plan, including \$310,803 general revenue.
- \$10,036,378 and 27.75 staff reallocated from various divisions, including \$1,287,562 general revenue.

### **HIGHWAY COLLECTIONS**

Article IV, Sections 30(a), 30 (b), and 30 (c), Constitution of Missouri, requires that all revenues from the existing motor vehicle fuel tax, vehicle taxes and fees paid by highway users (less collection costs) be used only for state and local highways, roads and bridges, and for constructing and maintaining the state highway system. These collection costs are not to exceed three percent of the amount collected. The Department of Revenue is responsible for collecting and remitting these revenues to the State Highways and Transportation Department Fund. Highway collections functions are distributed between the Customer Services Division and the Fiscal Services Division.

#### **Fiscal Year 2008 Governor's Recommendations**

- \$472,341 for pay plan, including \$284,045 general revenue.
- (\$315,485) and (13.25) staff reallocated to various divisions, including (\$207,333) general revenue.

## **DEPARTMENT OF REVENUE**

### **FACILITY SERVICES**

Responsibility for management of facility related services has been transferred to the Office of Administration. The Facilities Management, Design and Construction Division will be the central point for these services.

#### **Fiscal Year 2008 Governor's Recommendations**

- (\$123,254) Lottery Enterprise Fund transferred to the Office of Administration for the statewide consolidation of fuel and utility purchases and facility related service contracts.

### **STATE TAX COMMISSION**

The State Tax Commission is a quasi-judicial administrative agency created by the Missouri Constitution to perform six basic functions. These functions are: to equalize inter- and intra-county assessments; conduct de novo judicial hearings regarding valuation and classification appeals from local boards of equalization; formulate and implement statewide assessment policy and procedures to comport with statutory and constitutional mandates; supervise local assessing officials and local assessment programs to ensure compliance with statewide requirements; conduct ratio studies to determine the assessment level in each county and to measure the quality of the assessments; and assess the distributable property of railroads and public utilities.

#### **Fiscal Year 2008 Governor's Recommendations**

- \$78,939 for pay plan.
- (\$40,000) for one-time expenditures.
- (\$5,000) transferred to the Office of Administration for statewide consolidation of information technology services.

**DEPARTMENT OF REVENUE  
DISTRIBUTIONS**

**FINANCIAL SUMMARY**

	FY 2006 EXPENDITURE	FY 2007 APPROPRIATION	GOVERNOR RECOMMENDS FY 2008
Prosecuting Attorneys and Collection Agencies	\$ 2,435,213	\$ 2,580,000	\$ 2,580,000
County Filing Fees	146,688	200,000	200,000
Contingency Fees for Collection Enhancements	3,241,289	0	0
Tax Data Matching for Collection Enhancements	5,400,000	0	0
State Share of Assessment Maintenance Costs	18,785,668	18,785,668	18,785,668
Certification Compensation	72,118	77,112	77,112
Motor Fuel Tax Distribution to Cities and Counties	186,969,872	188,000,000	188,000,000
Emblem Use Fee Distribution	0	0	1,000
County Stock Insurance Tax	780,042	500,000	500,000
Homestead Preservation Credit	0	2,955,913	2,955,913
Debt Offset For Tax Credits Transfer	192,267	20,000	20,000
Debt Offset Transfer	11,083,469	10,292,384	11,292,384
Circuit Courts Escrow Transfer	0	505,500	505,500
Income Tax Refund Designations	310,417	396,000	396,000
State Supplemental Downtown Development Transfer	0	0	2,741,000
<b>TOTAL</b>	<b>\$ 229,417,043</b>	<b>\$ 224,312,577</b>	<b>\$ 228,054,577</b>
General Revenue Fund	42,447,171	36,312,577	40,054,577
Motor Fuel Tax Fund	186,969,872	188,000,000	188,000,000

**PAYMENTS TO PROSECUTING ATTORNEYS AND COLLECTION AGENCY FEES**

Section 136.150, RSMo, provides for payment of a collection fee of 20 percent of delinquent taxes, licenses, or fees recovered on behalf of the state by collection agencies or prosecuting attorneys. The collection fee is deposited in the county treasury with one-half of the fee for use by the attorney's office and one-half to be expended as the county determines. This incentive program provides additional resources to counties and a five-to-one benefit/cost ratio to the state.

Section 140.850, RSMo, authorizes the Department of Revenue to use commercial collection agencies to collect delinquent taxes owed by resident and non-resident taxpayers (individuals and businesses). The statutes permit payment of a collection fee not to exceed 25 percent of the amount collected.

**Fiscal Year 2008 Governor's Recommendations**

Continue funding at the current level.

**COUNTY FILING FEES**

The Department of Revenue is authorized to file tax liens on property owned by taxpayers that are delinquent in income tax or sales/use tax. County recorders charge the Department of Revenue a fee of \$3.00 for the filing of each tax lien and a fee of \$1.50 for each release of a tax lien filed on property owned by taxpayers that are delinquent in income tax or sales/use tax.

**Fiscal Year 2008 Governor's Recommendations**

Continue funding at the current level.

**STATE SHARE OF ASSESSMENT MAINTENANCE COSTS**

The state reimburses a portion of the costs and expenses for maintaining assessments by the county assessors and the St. Louis City assessor.

**Fiscal Year 2008 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF REVENUE**

### **CERTIFICATION COMPENSATION**

The state provides quarterly compensation to assessors, except those in first-class charter counties, who maintain an education certification with the State Tax Commission.

#### **Fiscal Year 2008 Governor's Recommendations**

Continue funding at the current level.

### **MOTOR FUEL TAX DISTRIBUTION TO CITIES AND COUNTIES**

Article IV, Section 30(a)(2), Constitution of Missouri, requires 15 percent of the net proceeds from the Motor Fuel Tax collections be allocated to the incorporated cities, towns, and villages of the state to assist in the maintenance of streets and highways.

Article IV, Section 30(a)(1), Constitution of Missouri, requires that 10 percent of the net proceeds from Motor Fuel Tax collections be distributed to the counties to assist in the maintenance of county roads, highways, and bridges. On August 4, 1992, voters approved Constitutional Amendment No. 8 to require that 15 percent of the net proceeds resulting from any increase in the Motor Fuel Tax rate over the rate in effect on March 31, 1992, be distributed to the counties to assist in the maintenance of county roads, highways, and bridges.

#### **Fiscal Year 2008 Governor's Recommendations**

Continue funding at the current level.

### **VETERANS OF FOREIGN WARS EMBLEM USE FEE DISTRIBUTION**

Pursuant to Section 301.3141, RSMo, a contribution to be used to apply for a specialty license plate may be made directly to the Department of Revenue. The Department of Revenue remits all contributions to the Veterans of Foreign Wars Department of Missouri.

#### **Fiscal Year 2008 Governor's Recommendations**

- \$1,000 for distribution to the Veterans of Foreign Wars.

### **COUNTY STOCK INSURANCE**

The Department of Revenue uses this appropriation to meet the apportionment requirements for the County Stock Insurance Tax required by Section 148.330, RSMo, while holding school districts and counties harmless to reductions from tax credits.

#### **Fiscal Year 2008 Governor's Recommendations**

Continue funding at the current level.

### **HOMESTEAD PRESERVATION TAX CREDIT**

Section 137.106, RSMo, the Homestead Preservation Act, enables qualified senior citizens and disabled persons to obtain a credit against their property taxes for an increase to their taxes that exceeds established thresholds. This appropriation provides funds to be distributed to county governments to offset property taxes of qualified applicants.

#### **Fiscal Year 2008 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF REVENUE**

### **DEBT OFFSET FOR TAX CREDITS**

SB 1099 (2004) requires that tax credit applicants must apply any award to any delinquent income, sales, use, or insurance taxes. After applying all credits toward any delinquencies, the applicant can be issued any remaining credits. The Department of Revenue uses this appropriation to hold harmless local tax jurisdictions for local sales tax delinquencies.

#### **Fiscal Year 2008 Governor's Recommendations**

Continue funding at the current level.

### **DEBT OFFSET TRANSFER**

Chapter 143, RSMo, provides a mechanism to offset debts owed to the state against tax refunds payable to the debtor. The Department of Revenue transfers to the Office of State Treasurer the amount of the debt certified to be owed to a state agency in an amount not exceeding the tax refund claimed. Any amount in excess of the debt is forwarded to the taxpayer. Upon settlement of the claim through the established administrative hearings process, the escrow funds are returned to the state agency and/or the payee.

#### **Fiscal Year 2008 Governor's Recommendations**

- \$1,000,000 to offset debts owed to the state against tax refunds.

### **CIRCUIT COURTS ESCROW TRANSFER**

Section 143.784, RSMo, provides a mechanism to offset debts owed to the state against tax refunds payable to the debtor. The Department of Revenue transfers to the Circuit Courts any amounts certified to be owed to the state, in an amount not exceeding the tax refund claimed. Upon settlement of the claim, the escrow funds are returned to the state agency.

#### **Fiscal Year 2008 Governor's Recommendations**

Continue funding at the current level.

### **INCOME TAX CHECK-OFF REFUND DESIGNATIONS**

State statutes permit individuals and corporations to contribute a portion of any income tax refund that they are owed to seven separate state trust funds or nine separate charitable trust funds. The seven state trust funds include the Children's Trust Fund (Section 210.174, RSMo); the Division of Aging Elderly Home Delivered Meals Trust Fund (Section 660.078, RSMo); the Veterans' Trust Fund (Section 42.140, RSMo); the Missouri National Guard Trust Fund (Section 41.215, RSMo); the Workers Memorial Fund (Section 143.1025, RSMo); the Childhood Lead Testing Fund (Section 143.603, RSMo); and the Missouri Military Family Relief Fund (Section 143.822, RSMo). The nine charitable funds (Section 143.605, RSMo) include the American Cancer Society, Heartland Division, Inc. Fund; the ALS Lou Gehrig's Disease Fund; the American Lung Association of Missouri Fund; the Muscular Dystrophy Association Fund; the Arthritis Foundation Fund; the American Diabetes Association Gateway Area Fund; the American Heart Association Fund; the March of Dimes Fund; and the National Multiple Sclerosis Society Fund. The amounts designated by taxpayers for distribution to the seven trust funds are transferred from the General Revenue Fund.

#### **Fiscal Year 2008 Governor's Recommendations**

Continue funding at the current level.

### **STATE SUPPLEMENTAL DOWNTOWN DEVELOPMENT TRANSFER**

Section 99.963, RSMo, requires the department to annually transfer the first \$150,000,000 of other net new revenues generated by development projects to the State Supplemental Downtown Development Fund.

#### **Fiscal Year 2008 Governor's Recommendations**

- \$2,741,000 transferred to the State Supplemental Downtown Development Fund.

**DEPARTMENT OF REVENUE**

**STATE LOTTERY COMMISSION**

The Missouri State Lottery was established by voter approval of Constitutional Amendment No. 5 on November 6, 1984. On August 2, 1988, voters approved Constitutional Amendment No. 3 to revise the lottery prize structure and certain promotional restrictions.

**Fiscal Year 2008 Governor's Recommendations**

- \$208,180 Lottery Enterprise Fund for pay plan.
- \$23,209,600 Lottery Enterprise Fund to pay prizes.

	FY 2006 EXPENDITURE	FY 2007 APPROPRIATION	GOVERNOR RECOMMENDS FY 2008
Operating Expense			
Personal Service	\$ 6,254,462	\$ 6,939,332	\$ 7,147,512
Expense and Equipment	30,390,542	28,774,402	29,984,002
Prizes	<u>111,059,610</u>	<u>80,000,000</u>	<u>102,000,000</u>
TOTAL			
Lottery Enterprise Fund	\$ 147,704,614	\$ 115,713,734	\$ 139,131,514
Full-time equivalent employees	169.89	173.50	173.50

**LOTTERY ENTERPRISE FUND TRANSFER**

Section 39(b) of Article III of the Missouri Constitution provides that a minimum of 45 percent of moneys received from the sale of lottery tickets shall be paid as prizes. On August 4, 1992, voters approved Constitutional Amendment No. 11 to dedicate net lottery proceeds to fund public institutions of elementary, secondary, and higher education.

**Fiscal Year 2008 Governor's Recommendations**

- \$15,068,010 Lottery Enterprise Fund to Lottery Proceeds Fund.

	FY 2006 EXPENDITURE	FY 2007 APPROPRIATION	GOVERNOR RECOMMENDS FY 2008
Lottery Enterprise Fund	\$ 260,300,831	\$ 218,681,990	\$ 233,750,000