

# DEPARTMENT OF REVENUE

## FINANCIAL SUMMARY

|  | FY 2008<br>EXPENDITURE | FY 2009<br>APPROPRIATION | FY 2010<br>REQUEST    | GOVERNOR<br>RECOMMENDS<br>FY 2010 |
|--|------------------------|--------------------------|-----------------------|-----------------------------------|
| Customer Services Division                 | \$ 18,255,881          | \$ 18,930,067            | \$ 19,364,980         | \$ 17,669,236                     |
| Legal Services Division                    | 2,306,477              | 2,513,749                | 2,717,121             | 1,781,184                         |
| Fiscal Services Division                   | 18,561,102             | 24,194,687               | 23,806,966            | 22,031,968                        |
| Highway Collections                        | 24,467,527             | 26,241,775               | 26,910,173            | 25,626,352                        |
| State Tax Commission                       | 2,843,974              | 3,048,106                | 15,349,556            | 2,903,992                         |
| Distributions                              | 229,570,599            | 226,033,041              | 229,959,503           | 226,186,896                       |
| State Lottery Commission                   | 159,580,427            | 140,615,436              | 140,684,936           | 140,457,157                       |
| <b>DEPARTMENTAL TOTAL</b>                  | <b>\$ 455,585,987</b>  | <b>\$ 441,576,861 *</b>  | <b>\$ 458,793,235</b> | <b>\$ 436,656,785</b>             |
| General Revenue Fund                       | 86,524,673             | 89,434,513               | 106,035,969           | 83,865,389                        |
| Federal Funds                              | 4,080,483              | 6,419,221                | 6,669,721             | 6,677,204                         |
| Child Support Enforcement Fund             | 1,978,992              | 2,624,213                | 2,624,213             | 2,624,944                         |
| Health Initiatives Fund                    | 46,427                 | 58,904                   | 59,087                | 60,567                            |
| Elderly Home-Delivered Meals Trust Fund    | 11,662                 | 12,582                   | 12,582                | 12,959                            |
| Petroleum Storage Tank Insurance Fund      | 23,743                 | 27,654                   | 27,654                | 28,449                            |
| Motor Vehicle Commission Fund              | 1,096,153              | 1,153,563                | 1,155,065             | 1,176,978                         |
| Conservation Commission Fund               | 526,909                | 557,113                  | 557,159               | 573,343                           |
| Department of Revenue Information Fund     | 681,795                | 802,064                  | 808,873               | 817,570                           |
| State Highways and Transportation          |                        |                          |                       |                                   |
| Department Fund                            | 11,269,320             | 11,830,895               | 12,117,273            | 12,320,480                        |
| Lottery Enterprise Fund                    | 159,580,427            | 140,615,436              | 140,684,936           | 140,457,157                       |
| Petroleum Inspection Fund                  | 30,335                 | 35,497                   | 35,497                | 36,473                            |
| Motor Fuel Tax Fund                        | 189,735,068            | 188,000,000              | 188,000,000           | 188,000,000                       |
| Department of Revenue Specialty Plate Fund | 0                      | 5,206                    | 5,206                 | 5,272                             |
| <b>Full-time equivalent employees</b>      | <b>1,463.38</b>        | <b>1,582.96</b>          | <b>1,584.96</b>       | <b>1,470.06</b>                   |

\* Does not include \$1,600,171 recommended in the Fiscal Year 2009 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Revenue supplemental appropriations.

## DEPARTMENT SUMMARY

The Fiscal Year 2010 provides a total of \$436.7 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.
- Titling 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 seven in-state field offices (St. Louis, Kansas City, Springfield, Jefferson City, Joplin, St. Joseph, and Cape Girardeau) that handle taxpayer assistance inquiries. 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 183 contract license offices that provide driver licensing and motor vehicle titling and registration services to Missourians.

#### **Fiscal Year 2010 Governor's Recommendations**

- \$250,500 federal funds on an open-ended basis to allow the division to submit grant requests to the Federal Motor Carrier Administration and the Division of Highway Safety.
- \$10,500 for a rate increase by the United States Department of Homeland Security for the Systematic Alien Verification for Entitlements (SAVE) program.
- \$429,205 for pay plan, including \$386,439 general revenue.
- (\$1,807,499) and (21) staff core reduction from the Fiscal Year 2009 appropriation level.
- (\$109,268) core reduction from the Fiscal Year 2009 appropriation level for savings realized in the printing of motor vehicle renewal notices.
- (\$34,269) reallocated to the Legal Services Division.

### **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 2010 Governor's Recommendations**

- \$45,129 for pay plan, including \$31,448 general revenue.
- \$169,103 and one staff reallocated from the Fiscal Services Division.
- \$34,269 reallocated from the Customer Services Division.
- (\$981,066) and (17.15) staff core reduction from the Fiscal Year 2009 appropriation level.

### **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 seven in-state offices (in the same locations as the Customer Services Division) and four out-of-state offices in Chicago, Dallas, Atlanta, and New York to foster compliance with Missouri tax laws.

#### **Fiscal Year 2010 Governor's Recommendations**

- \$116,079 for costs due to increased postage rates, including \$107,539 general revenue.
- \$1 federal funds on an open-ended basis to maximize the state's access to and use of federal stimulus funds when they become available.
- \$275,437 for pay plan, including \$273,183 general revenue.
- (\$2,050,436) and (41) staff core reduction from the Fiscal Year 2009 appropriation level.
- (\$334,697) and (13.25) staff reallocated to Highway Collections to consolidate the mail service center, including (\$219,960) general revenue.
- (\$169,103) and (one) staff reallocated to the Legal Services Division.

## **DEPARTMENT OF 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, the Fiscal Services Division, and the Legal Services Division.

#### **Fiscal Year 2010 Governor's Recommendations**

- \$333,701 for costs due to increased postage rates and additional postage due to plate reissuance, including \$47,323 general revenue.
- \$484,594 for pay plan, including \$281,387 general revenue.
- \$334,697 and 13.25 staff reallocated from Fiscal Services to consolidate the mail service center, including \$219,960 general revenue.
- (\$1,768,415) and (18) staff core reduction from the Fiscal Year 2009 appropriation level.

### **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 2010 Governor's Recommendations**

- \$77,463 for pay plan.
- \$8,007 transferred from the Office of Administration, Division of General Services for central mail services.
- (\$229,584) and (5.75) staff core reduction from the Fiscal Year 2009 appropriation level.

**DEPARTMENT OF REVENUE  
DISTRIBUTIONS**

**FINANCIAL SUMMARY**

|   | FY 2008<br>EXPENDITURE | FY 2009<br>APPROPRIATION | GOVERNOR<br>RECOMMENDS<br>FY 2010 |
|---|------------------------|--------------------------|-----------------------------------|
| Prosecuting Attorneys and Collection Agencies Fees                        | \$ 3,380,162           | \$ 2,580,000             | \$ 2,580,000                      |
| County Filing Fees  | 191,765                | 200,000                  | 225,000                           |
| State Share of Assessment Maintenance Costs                               | 18,720,700             | 19,020,668               | 19,020,668                        |
| Certification Compensation  | 75,044                 | 0                        | 0                                 |
| Motor Fuel Tax Distribution to Cities and Counties                        | 189,735,068            | 188,000,000              | 188,000,000                       |
| Emblem Use Fee Distribution   | 350                    | 1,000                    | 1,000                             |
| County Stock Insurance Tax  | 834,944                | 500,000                  | 500,000                           |
| Homestead Preservation Tax Credit   | 1,055,643              | 91,089                   | 91,089                            |
| Debt Offset For Tax Credits Transfer                                      | 227,342                | 200,000                  | 200,000                           |
| Debt Offset Transfer  | 12,945,622             | 11,292,384               | 11,292,384                        |
| Circuit Courts Escrow Transfer  | 1,326,276              | 505,500                  | 505,500                           |
| Income Tax Check-Off Refund Designations                                  | 373,534                | 396,000                  | 396,000                           |
| General Revenue Reimbursement to State<br>Highway and Transportation Fund | 704,149                | 0                        | 0                                 |
| Downtown Revitalization Preservation Transfer                             | 0                      | 100,000                  | 134,805                           |
| State Supplemental Downtown Development Transfer                          | 0                      | 3,146,400                | 3,240,450                         |
| <b>TOTAL</b>  | <b>\$ 229,570,599</b>  | <b>\$ 226,033,041</b>    | <b>\$ 226,186,896</b>             |
| General Revenue Fund  | 39,835,531             | 38,033,041               | 38,186,896                        |
| Motor Fuel Tax Fund   | 189,735,068            | 188,000,000              | 188,000,000                       |

**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 circuit attorneys 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 private attorneys or professional 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 2010 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. Per Section 144.380.4, RSMo, 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 2010 Governor's Recommendations**

- \$25,000 for increased filings to county recorders.

**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 2010 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF REVENUE**

### **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 2010 Governor's Recommendations**

Continue funding at the current level.

### **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 Department of Missouri, Veterans of Foreign Wars.

#### **Fiscal Year 2010 Governor's Recommendations**

Continue funding at the current level.

### **COUNTY STOCK INSURANCE TAX**

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 2010 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 2010 Governor's Recommendations**

Continue funding at the current level.

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

Section 135.815, RSMo, 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 2010 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF REVENUE**

### **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 2010 Governor's Recommendations**

Continue funding at the current level.

### **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 2010 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 numerous separate state trust funds and several separate charitable trust funds. The amounts designated by taxpayers for distribution to the various trust funds are transferred from the General Revenue Fund.

#### **Fiscal Year 2010 Governor's Recommendations**

Continue funding at the current level.

### **DOWNTOWN REVITALIZATION PRESERVATION TRANSFER**

Section 99.1092, RSMo, requires the department to annually transfer the first \$15,000,000 of other net new revenues generated by redevelopment projects to the Downtown Revitalization Preservation Fund.

#### **Fiscal Year 2010 Governor's Recommendations**

- \$34,805 transferred to the Downtown Revitalization Preservation Fund.

### **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 2010 Governor's Recommendations**

- \$94,050 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 2010 Governor's Recommendations**

- \$209,818 Lottery Enterprise Fund for pay plan.
- (\$368,097) Lottery Enterprise Fund and (ten) staff core reduction from the Fiscal Year 2009 appropriation level.

|                         | FY 2008<br>EXPENDITURE | FY 2009<br>APPROPRIATION | GOVERNOR<br>RECOMMENDS<br>FY 2010 |
|-------------------------|------------------------|--------------------------|-----------------------------------|
| Operating Expense       |                        |                          |                                   |
| Personal Service        | \$ 6,927,672           | \$ 7,361,934             | \$ 7,203,655                      |
| Expense and Equipment   | 31,397,564             | 31,253,502               | 31,253,502                        |
| Prizes                  | <u>121,255,191</u>     | <u>102,000,000</u>       | <u>102,000,000</u>                |
| TOTAL                   |                        |                          |                                   |
| Lottery Enterprise Fund | \$ 159,580,427         | \$ 140,615,436           | \$ 140,457,157                    |

**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 2010 Governor's Recommendations**

Continue funding at the current level.

|                         | FY 2008<br>EXPENDITURE | FY 2009<br>APPROPRIATION | GOVERNOR<br>RECOMMENDS<br>FY 2010 |
|-------------------------|------------------------|--------------------------|-----------------------------------|
| Lottery Enterprise Fund | \$ 265,051,179         | \$ 260,000,000           | \$ 260,000,000                    |