

PROGRAM DESCRIPTION

Department of Revenue _____

HB Section(s): _____

Program Name: Business Tax Bureau _____

Program is found in the following core budget(s): Taxation

1a. What strategic priority does this program address?

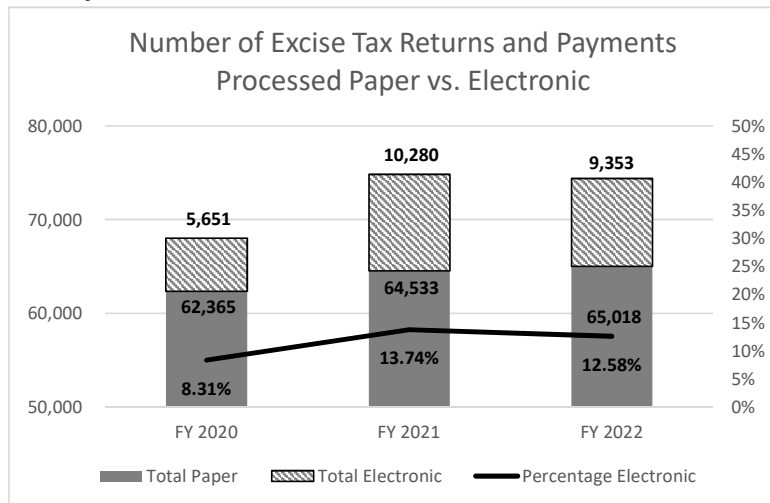
Embed Transformational Purpose; Focus on Service Culture; Partnerships; IT Roadmap

1b. What does this program do?

The **Business Tax Bureau** collects excise taxes, reviews and issues sales/use tax refunds, responds to sales/use tax and employer withholding tax correspondence, and distributes locally imposed sales/use taxes to local jurisdictions to provide every customer the best experience every time.

2a. Provide an activity measure(s) for the program.

i. Excise Tax - Volume of Returns and Payments



Excise Tax processes returns and payments for the following tax types: motor fuel, cigarette and other tobacco products, and financial institutions. The section also processes all county fee payments. The Department continues looking for ways to increase the number of electronically filed returns and payments. There was a slight decrease of 1% in the number of returns and payments received electronically in FY 2022 compared to FY 2021.

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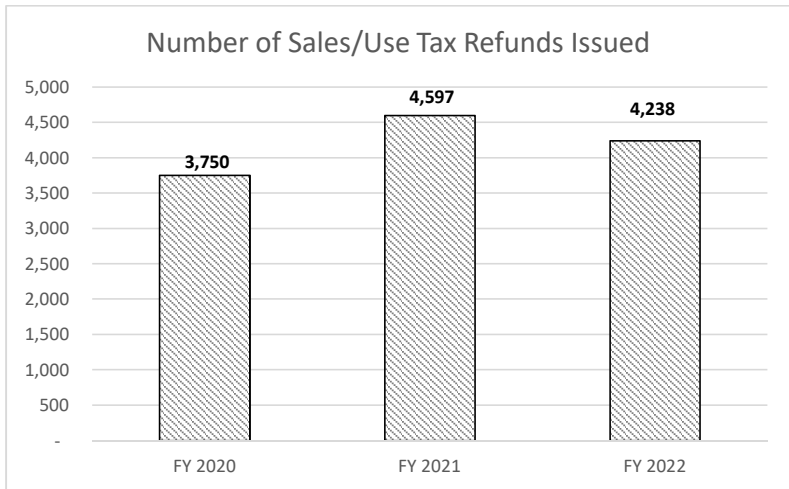
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ii. Sales/Use Tax Refunds - Volume of Refunds Issued



Unlike income tax refunds, sales/use tax overpayments are not issued directly from a return. Sales/use tax refunds must be submitted to the Department via a refund request form. A refund request may consist of one or multiple filing periods. Customers may apply for a sales/use refund for filing periods with payments within ten years from the request date. Each refund request is closely reviewed to ensure the appropriate tax was paid on Missouri sales before a refund is issued. In FY 2022, we noted an 8% decrease in number of refunds issued.

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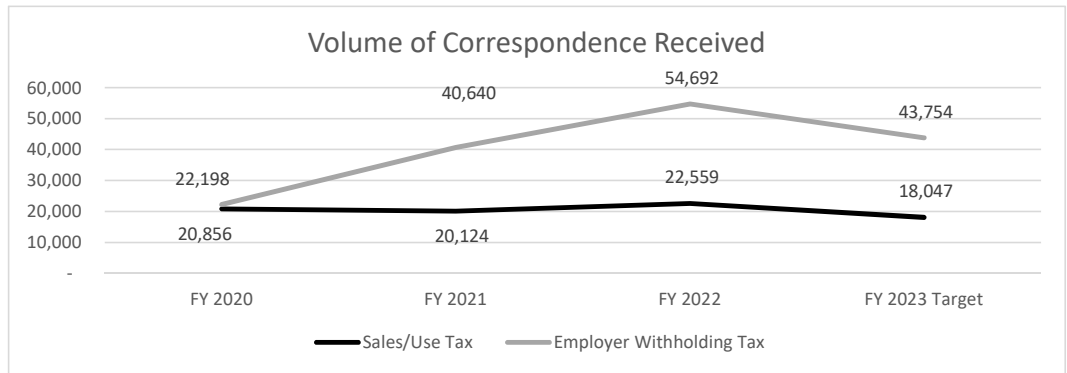
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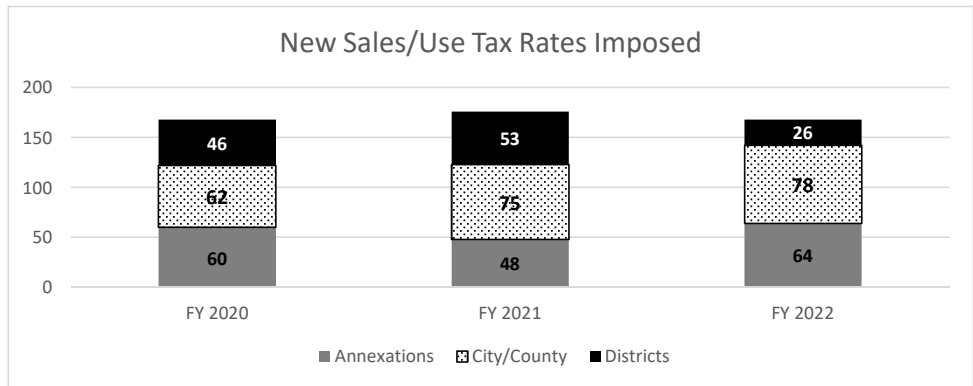
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iii. Correspondence - Volume of Correspondence Received



The Department experienced an increase in correspondence received during FY 2022. The increase was caused by a number of factors, including several that were beyond the section's control. In FY 2023, the Department has begun evaluating our existing non-filer process, which results in a significant portion of our incoming correspondence. By refining the process, we feel we can limit the impact to our customers and our staffing through the reduction of unnecessary notices.

iv. Local Tax - New Sales/Use Taxes Imposed by Cities, Counties and Districts



New sales/use tax rates are imposed each quarter based on ballots passed by Cities, Counties, and Districts. The Department anticipates that FY 2023 may see a large number of use taxes imposed from the passing of Remote Seller Legislation that goes into effect January 1, 2023.

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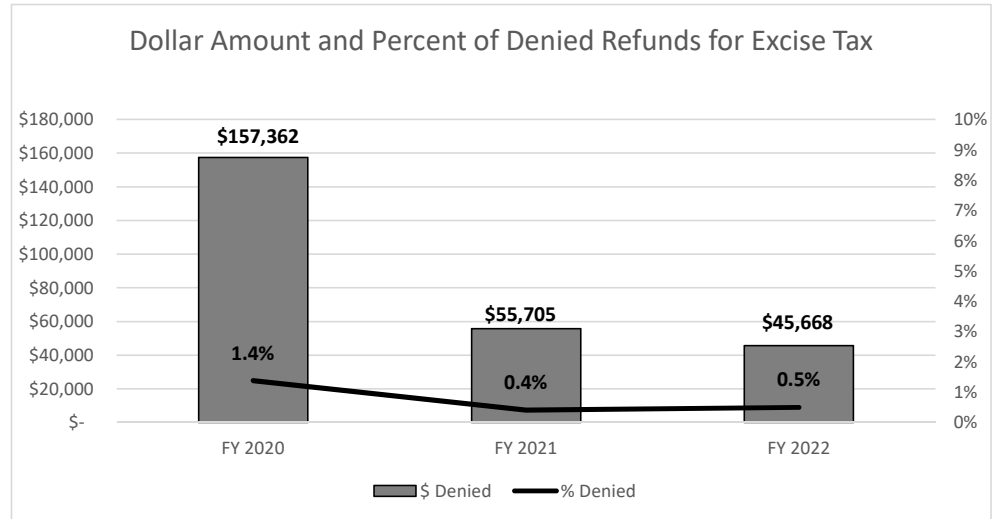
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2b. Provide a measure(s) of the program's quality.

i. Excise Tax - Denied Refund Dollar Amount

Motor fuel refund requests can be denied for various reasons, including: out-of-date refund requests, no Missouri fuel tax was paid, or the fuel use is not exempt from Missouri tax. In FY 2020, an abnormally large refund request was received and denied as it did not meet statutory requirements.



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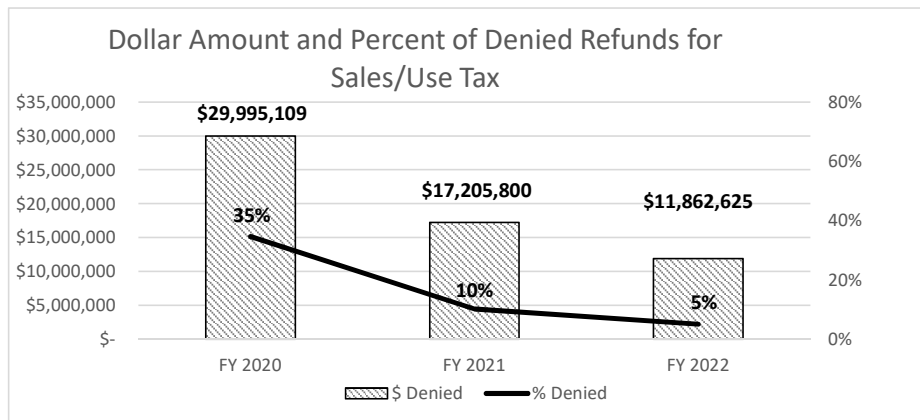
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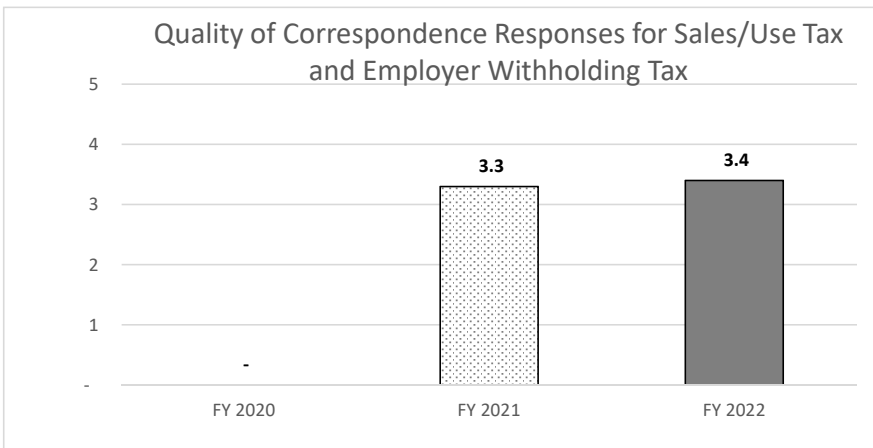
ii. Sales/Use Tax Refunds - Denied Refund Dollar Amount

When a refund request is received, it is reviewed to ensure the correct amount of tax was paid on Missouri sales. If it is determined the sales were taxable or tax wasn't paid, the refund request is denied or reduced.

We continually work with customers and tax practitioners to ensure sufficient information is provided to deliver the quality service. This effort has reduced the claims denied for lack of information.



iii. Correspondence - Quality of Correspondence Responses for Sales/Use Tax and Employer Withholding Tax



The Department did not track data for the quality of our correspondence processing for FY 2020. In early 2021, we implemented a survey feature in our email responses to customers to rate their satisfaction of service with the Department. The overall quality of our responses for sales and withholding correspondence was rated at a 3.4 out of 5 or 68% for FY 2022. This is a 2% increase from FY 2021 to FY 2022.

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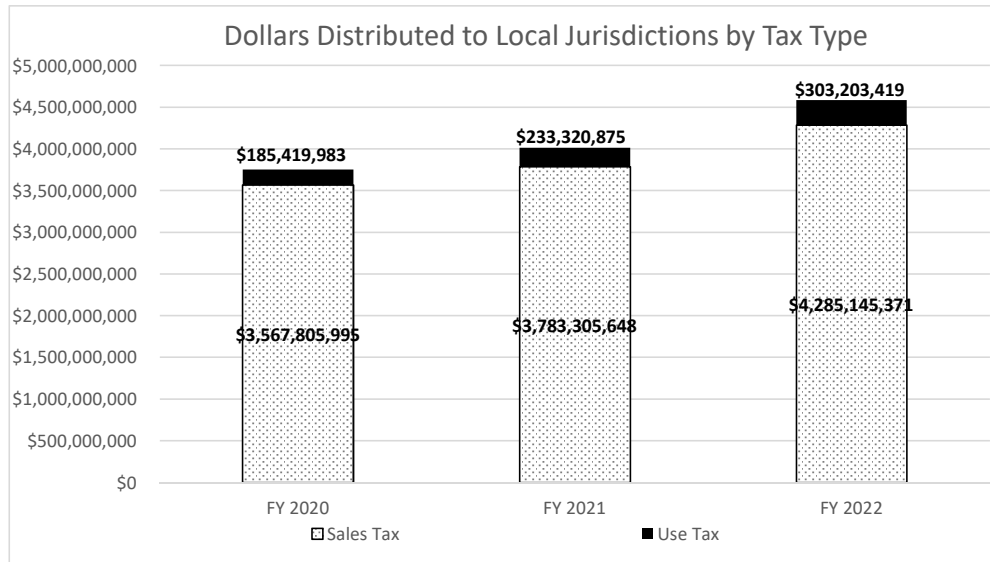
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iv. Local Tax - Dollars Distributed



The Department collects and distributes state and local sales and use tax from in-state and out-of-state businesses. The distribution is completed by the 10th day following the month in which the sales and use tax returns are processed.

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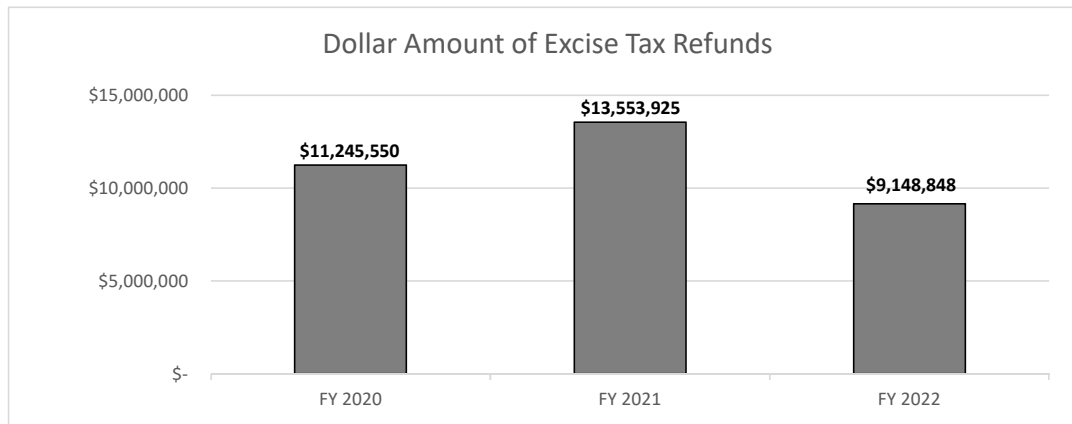
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2c. Provide a measure(s) of the program's impact.

i. Excise Tax - Dollar Amount of Refunds

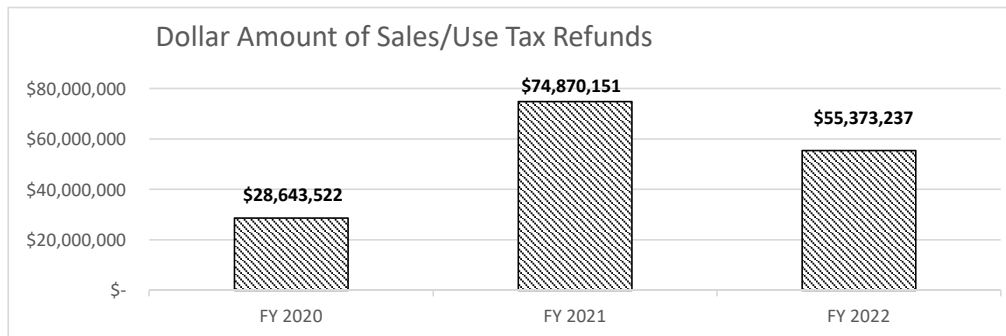


An average of 6,163 excise tax refunds have been processed each fiscal year for the past three fiscal years. The refund applicant must provide the original fuel tax receipts to verify that Missouri fuel tax was paid. The user must apply for a refund within one year from the date of purchase or April 15 of the year following the purchase, whichever is later. The number of refund claims received in FY 2022 decreased by 792 which also resulted in a reduction in the total refund dollars issued. We expect an increase in FY 2023 in total excise refund claims as a result of Senate Bill 262 passed in the 2021 legislative session, which allows for a refund of the tax increase paid on motor fuel used for highway purposes.

ii. Sales/Use Tax Refunds - Dollar Amount of Refunds

An average of 4,195 sales and use refunds were processed each fiscal year for the past three fiscal years. A refund could include one tax filing period or up to 120 filing periods.

In FY 2021, we received several larger refund claims due to lower than expected sales during the peak of the COVID-19 social distancing mandates. In addition, the cross education of additional staff resulted in a higher number of refunds issued.



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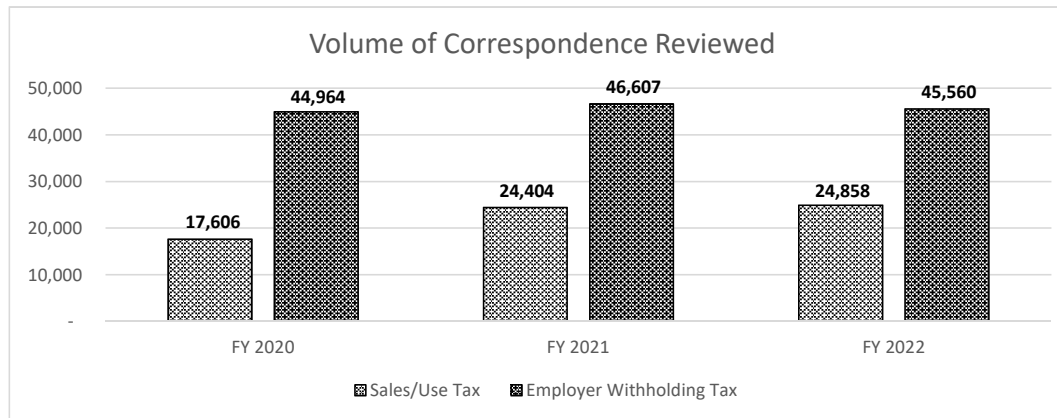
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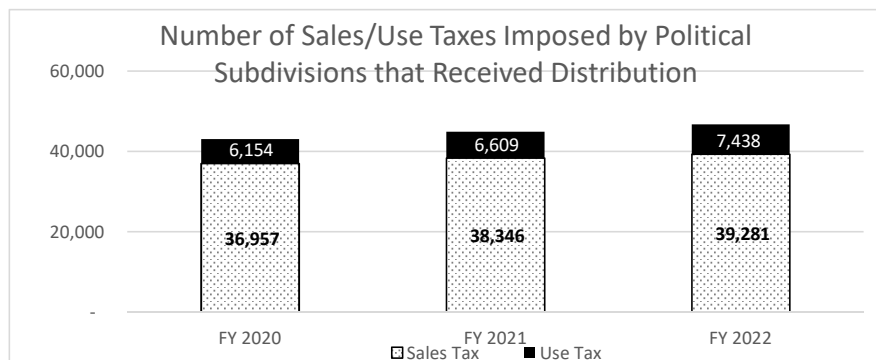
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iii. Correspondence - Volume of Correspondence Reviewed

Correspondence is received by many media types, such as: mail-in, email, and MyTax Missouri portal service requests.



iv. Local Tax - Number of Sales/Use Taxes Imposed by Political Subdivisions



Cities, counties, and districts can impose several different types of sales/use taxes in accordance with local sales/use tax statutes. The Department then separately distributes each tax imposed/collected to the applicable political subdivisions. The number of sales and use taxes imposed by political subdivisions will vary depending on newly imposed taxes, annexations, and expirations of tax.

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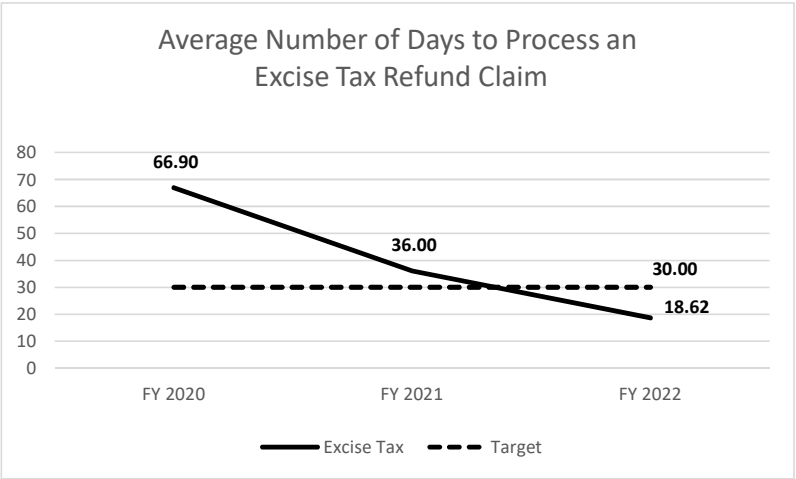
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2d. Provide a measure(s) of the program's efficiency.

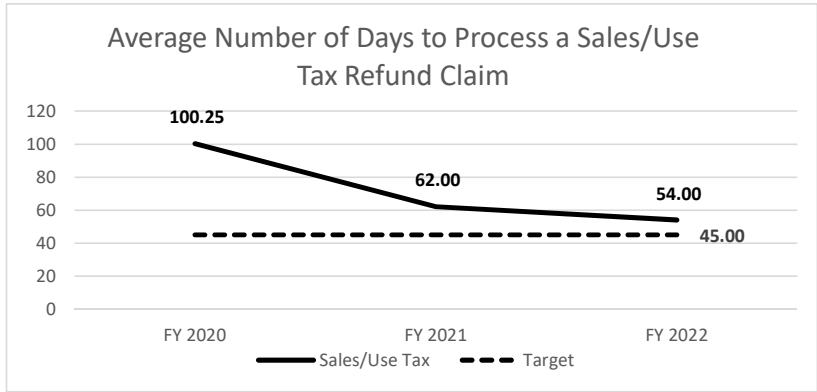
i. Excise Tax - Days to Process a Refund Claim

A motor fuel refund applicant must provide the original fuel tax receipts verifying Missouri fuel tax paid. Each refund request is reviewed to ensure motor fuel tax was paid to Missouri. The COVID-19 pandemic impacted the processing time in FY 2020. We cross educated additional staff on this function as well as adopted a "scan first" policy that scans incoming paper documents to PDFs which resulted in a reduced cycle time in FY 2021. As a result of SB262, passed during the 2021 legislative session, beginning October 1, 2021, taxpayers were no longer required to submit the original receipts with their claim and requires refunds to be issued within 45 days of receipt before refund interest is due. With these changes and a reduced number of claims received, the days to process a refund claim has decreased.



ii. Sales/Use Tax Refunds - Days to Process a Refund Claim

There was a decrease of 12 days to process a refund claim in FY 2022 compared to FY 2021. We received fewer claims and had additional staff educated on the process which attributed to the reduction.



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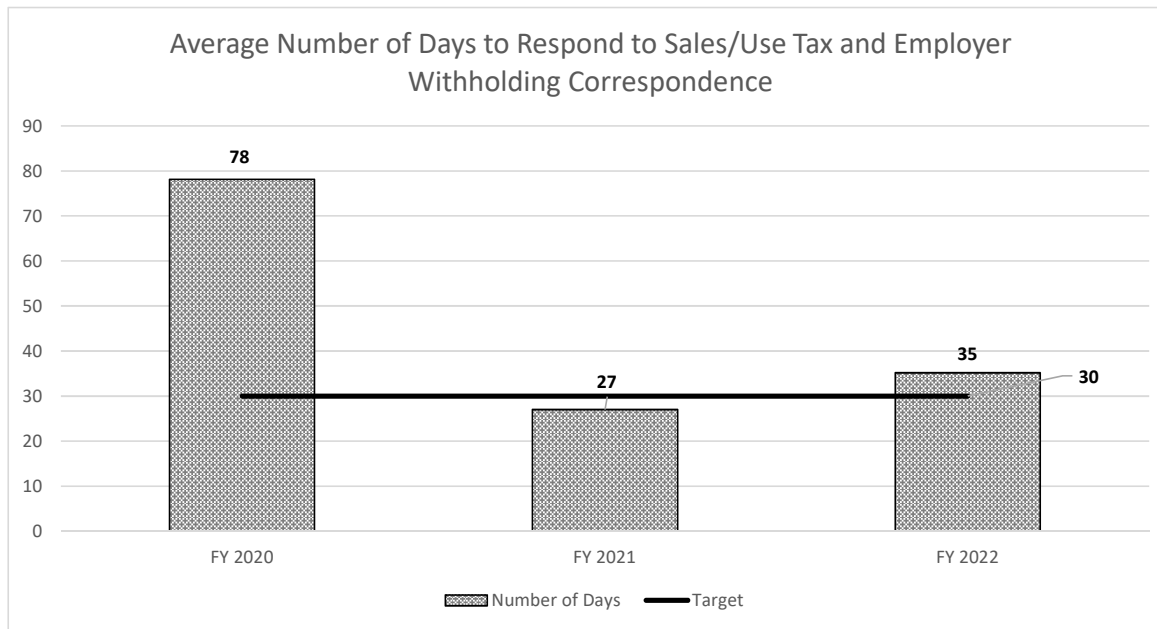
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iii. Correspondence - Turnaround Time for Sales/Use Tax and Employer Withholding Tax



In FY 2021, the bureau experienced a decrease in our number of days to respond to correspondence due to the Department's cross education and staff utilization efforts. However, in FY 2022 the section experienced staff turnover and prolonged vacancies which has hindered the section's ability to maintain a 30 day turnaround time. Other items that contributed to longer response times, were staff continuing to submit and test bugs for the Integrated Revenue System, reviewing notices, assisting with manual review of business tax returns, keying returns, and cross education within the Business Tax Bureau.

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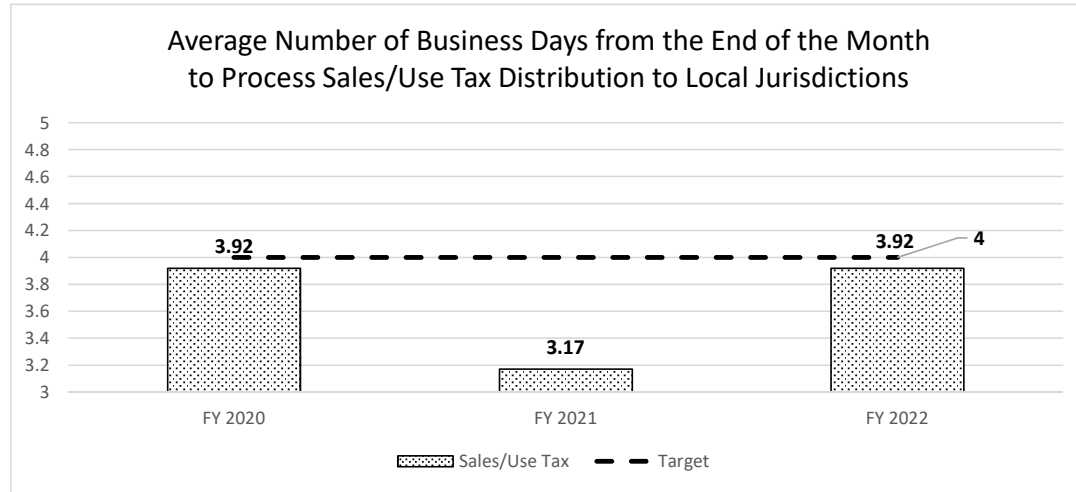
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iv. Local Tax - Sales/Use Distributions to Local Jurisdictions



By statute, local sales/use tax distribution must be completed by the 10th calendar day following the month the tax return was processed. The Department has a target to process distribution within 4 business days after the close of the end of the month to meet the expectations of the local jurisdictions.

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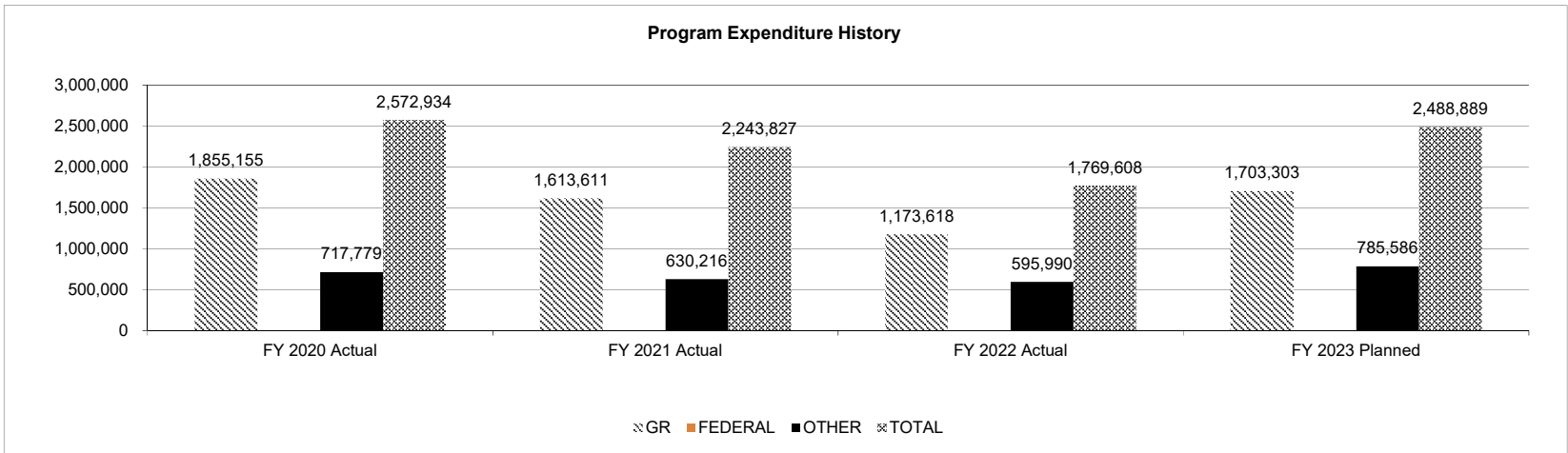
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**3. Provide actual expenditures for the prior three fiscal years and planned expenditures for the current fiscal year.
(Note: Amounts do not include fringe benefit costs.)**



4. What are the sources of the "Other " funds?

Conservation Fund (0609), Health Initiatives Fund (0275), Petroleum Inspection Fund (0662), Petroleum Storage Fund (0585), Highway Collections GR/State Highways and Transportation Department Fund (0644)

5. What is the authorization for this program, i.e., federal or state statute, etc.? (Include the federal program number, if applicable.)

Missouri Constitution, Article IV, Sections 12, 15 and 22 and Chapters 32, 136, 142, 143, 144, and 147 RSMo

6. Are there federal matching requirements? If yes, please explain.

No

7. Is this a federally mandated program? If yes, please explain.

No