

**PROGRAM DESCRIPTION**

Department of Revenue

HB Section(s): 4.01

Program Name: Processing Bureau

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

**1a. What strategic priority does this program address?**

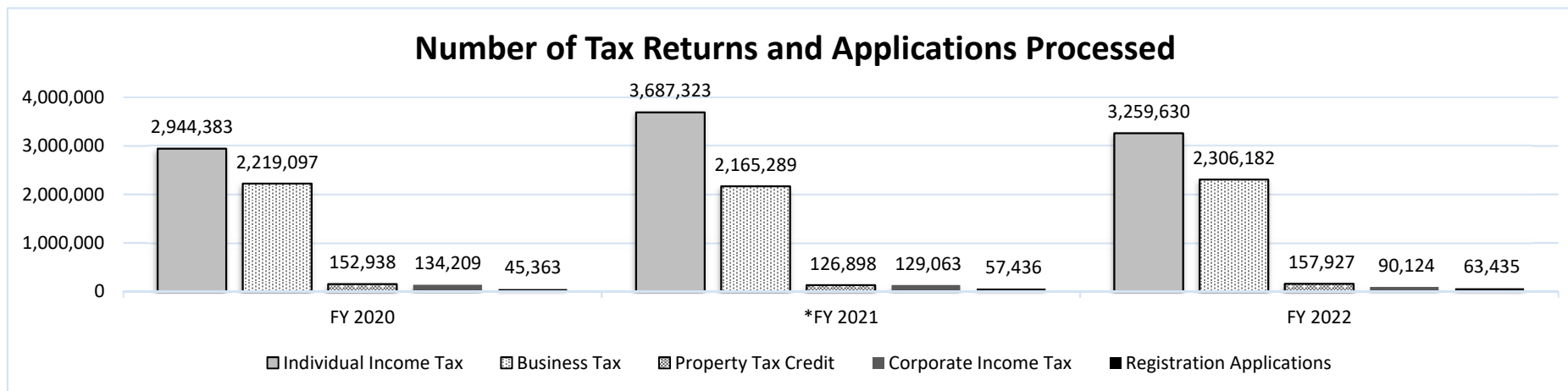
Embed Transformational Purpose; Focus on Service Culture; Team Member Recognition and Engagement; Partnerships; IT Roadmap

**1b. What does this program do?**

The **Processing Bureau** administers tax laws to help Missouri citizens and state and local political subdivisions meet their obligations by depositing funds into General Revenue and other state and local funds and processing and editing returns. Tax types include individual income and corporate income, sales and use, employer's withholding, insurance, financial institutions, tire and battery fee, property tax credit claims and business registrations.

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

**1) Number of Tax Returns Processed**



Business Tax Returns includes the following returns: Sales, Vendor's Use, Consumer's Use, Employer's Withholding, Insurance Tax, Financial Institution Tax and Tire and Lead-Acid Battery Fees.

\*Income Tax and Property Tax Credit Returns were impacted in FY 2020 and FY 2021 by the COVID-19 July 15, 2020 extended due date. In FY 2021, we experienced two tax due dates.

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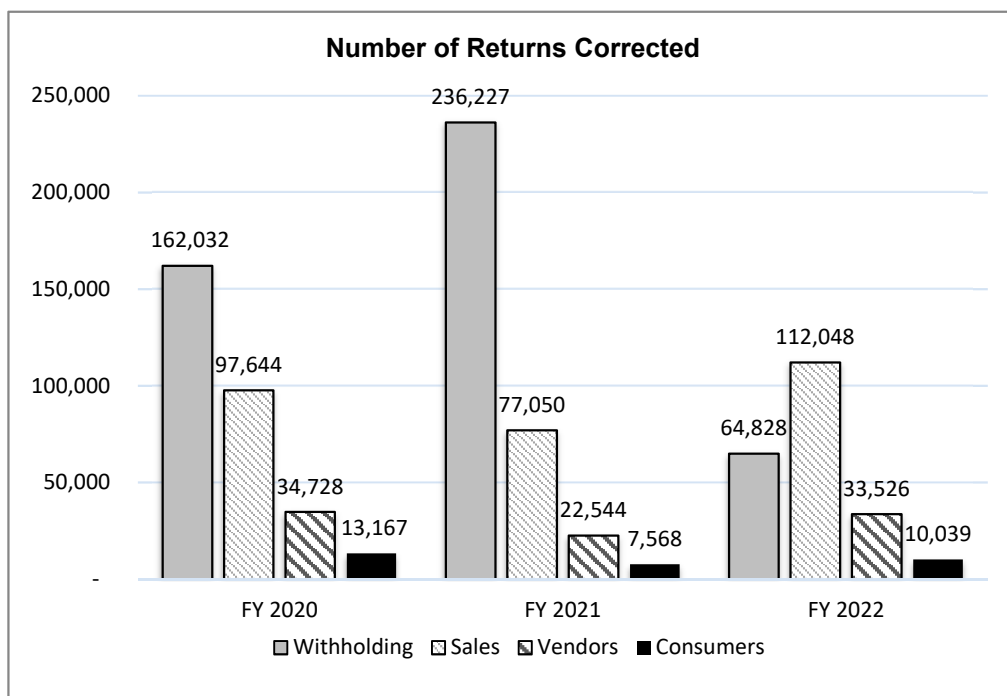
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**2a. Provide an activity measure(s) for the program (cont).**

**2) Number of Sales/ Use / Withholding Returns Corrected**



The Processing Bureau reviews and corrects returns that have been flagged by the system for errors (exceptions), such as missing information, taxpayer calculation mistakes, and incorrect jurisdiction or site codes. Correcting these errors allows the taxpayer's return to process with accurate rates and figures.

In FY 2021, the bureau implemented system changes to streamline return processing which increased the number of withholding returns reviewed and corrected. Reducing the number of errors per return, increases the number of returns processed on a daily basis. The bureau also utilized data driven staffing plans to determine the staffing level required to process incoming return volumes and cross education to increase the number of employees trained to process error corrections. The reduction in sales/use tax returns processed in FY 2021 is reflective of staff utilization and education.

In FY 2022, the withholding system changes significantly reduced the number of returns that require manual review. The bureau's numerous system changes to sales and use tax and the increased participation in electronic filing continues to reduce the number of daily return errors. The reduction in return errors and additional staffing increased the number of returns reviewed and corrected.

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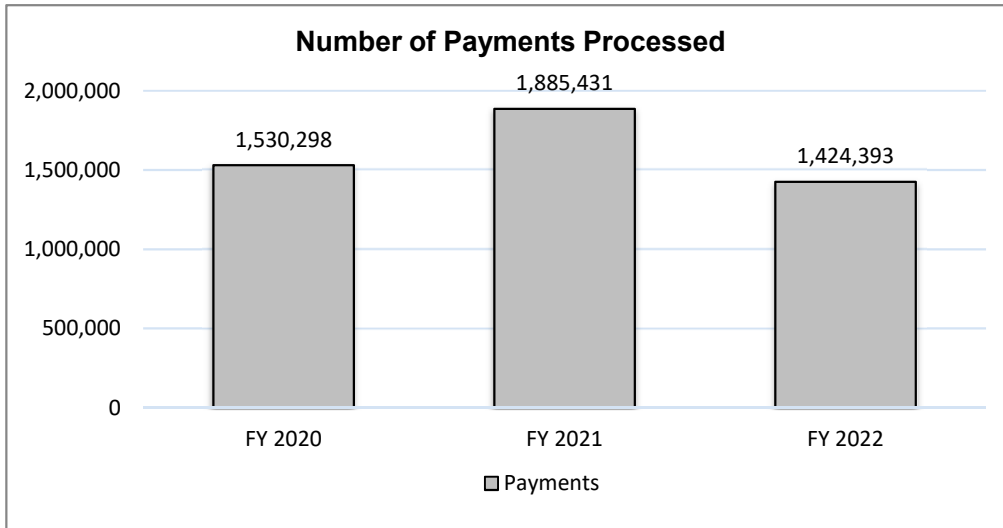
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2a. Provide an activity measure(s) for the program (cont).

**3) Number of Business and Income Tax Payments Processed**



The Processing Bureau receives a variety of customer payments such as estimated tax payments, returns and billing payments.

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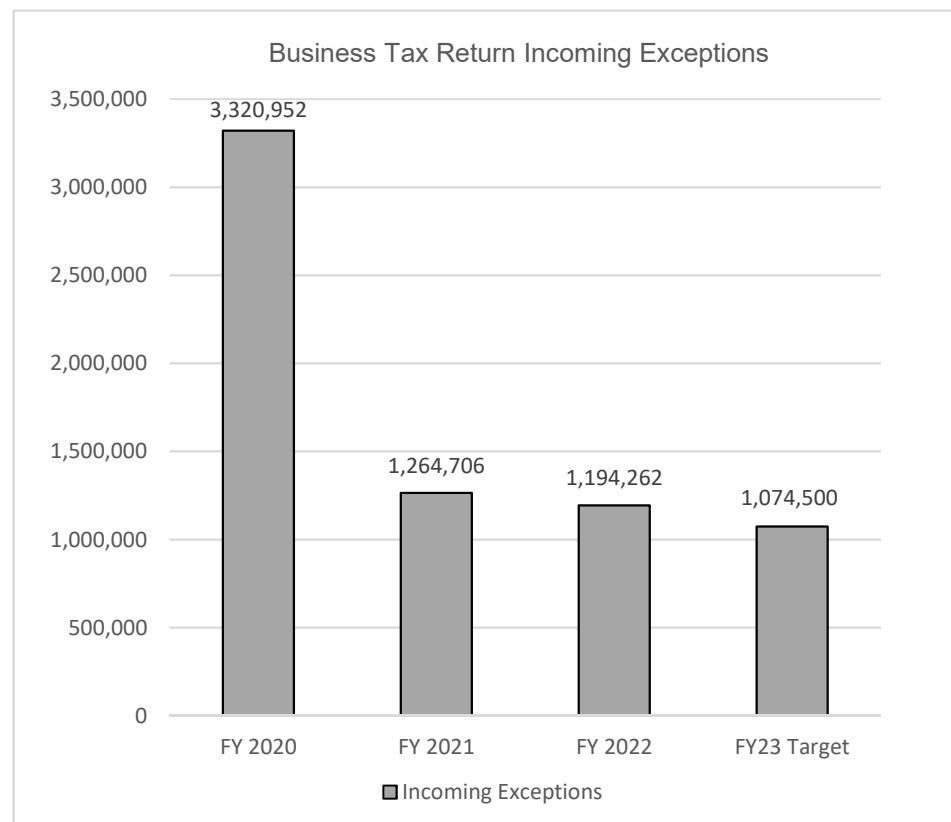
**2b. Provide a measure(s) of the program's quality.**

Business Tax returns are sent to a suspended status if the return has exceptions (errors). These exceptions must be reviewed and corrected before the return can be posted or fully processed. Exceptions include missing information, taxpayer calculation mistakes, incorrect jurisdictions or site codes, or taxpayers not registering properly before filing their return.

In early FY 2020 a integrated system enhancement was implemented, along with a few other identified exception improvements. These changes led to a 43% reduction in the number of return exceptions received per month. In early FY 2021 the second integrated system enhancement was implemented. The targeted exception improvements and the integrated system enhancements yielded a 73% average reduction in the number of return exceptions received monthly by mid-FY 2021.

In FY 2022, we continued to aggressively promote electronic filing options and conducted outreach efforts to educate and assist businesses with online filing which led to a 11% increase in sales and use tax returns received electronically and fewer incoming exceptions.

The bureau set a fiscal year goal to reduce incoming exception by 10% as reflected in our FY23 Target. We will continue outreach efforts to educate and assist businesses with online filing. We anticipate a system enhancement for adding new locations on sales and use tax returns. This system enhancement will improve customers online filing experience and further reduce return exceptions.



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

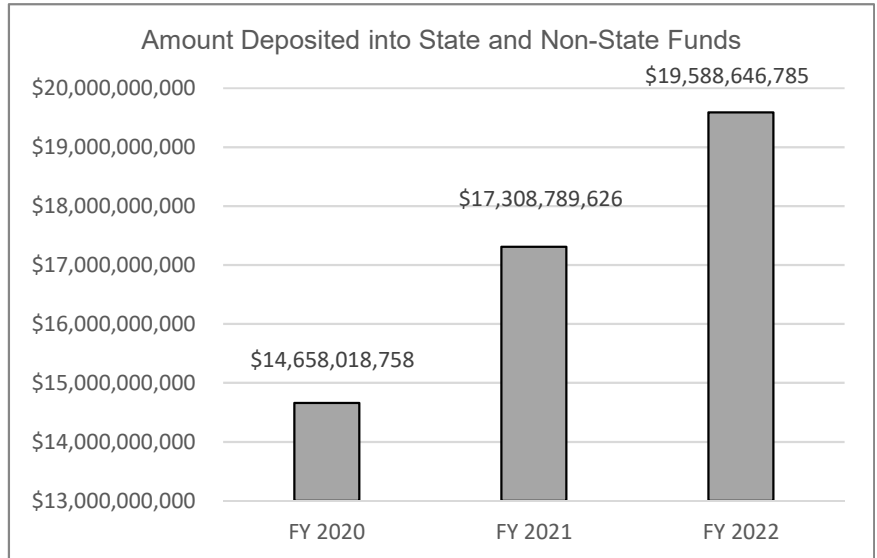
The below illustrates the state and non-state funds included in the daily deposits.

**State Accounts**

- Corporate Tax
- Franchise Tax
- Withholding Tax
- Individual Tax
- Fiduciary Tax
- Tire/Battery Tax
- Insurance
  - Captive
  - Premium
  - Surplus Lines
  - Worker's Comp
- Credit Annual Report Penalty

**Non-State Accounts**

- Insurance
- County Stock
- Financial Institutions
- Sales
- Bankruptcy Clearing
- Bank Holding
- Compliance Clearing
- Splits
- HB 1456 (MO 911 Trust Fund)



\*Deposits were impacted by the COVID-19 July 15, 2020 extended due date for Individual, Corporate and Fiduciary tax returns and payments. This extended due date increased deposits in FY 2021 because there were two tax due dates in the fiscal year. In FY 2022, the Department saw large increases in deposits for income and state and local sales taxes.

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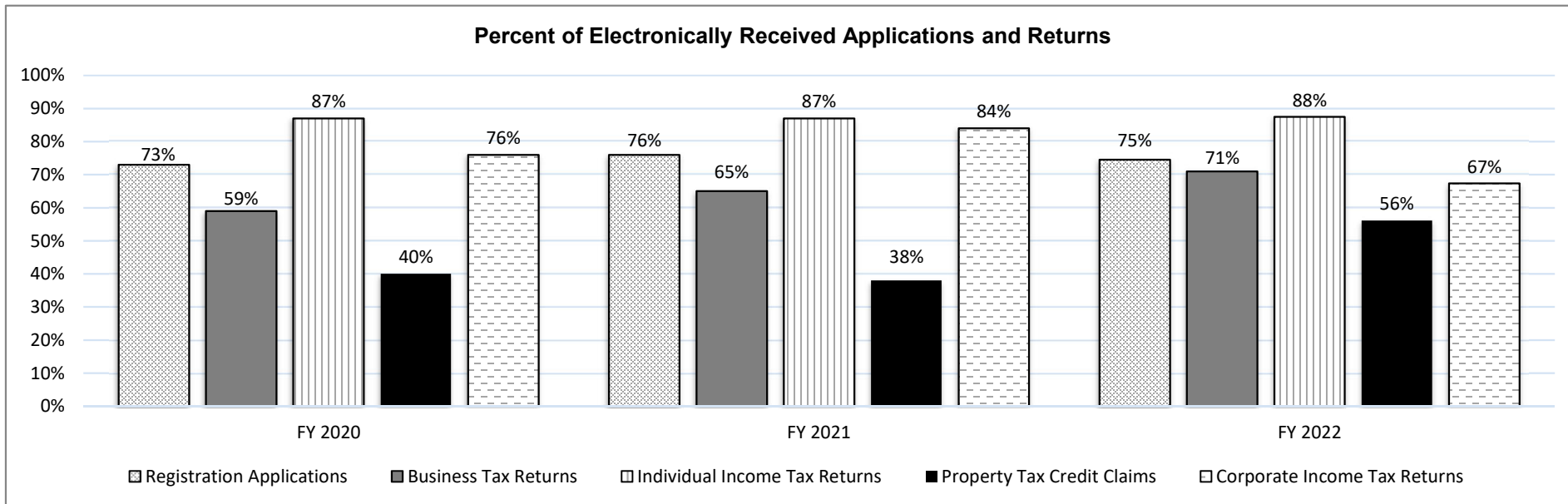
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2d. Provide a measure(s) of the program's efficiency.

Percentage of Returns and Applications Received Electronically



**FY 2023 Targets: Percent of Electronically Received Applications and Returns**

Registration Applications	80%
Business Tax Returns	80%
Individual Income Tax Returns	90%
Property Tax Credit Claims	62%
Corporate Income Tax Returns	80%

Electronic returns require less manual intervention and have a lower error rate. Electronic business returns pre-populate specific jurisdiction and site codes and auto-calculates certain fields resulting in fewer manual calculations and typographical errors. In FY 2021, the Department implemented an online Property Tax Credit Application to provide an electronic method of filing to submit a claim when not filing an individual return.

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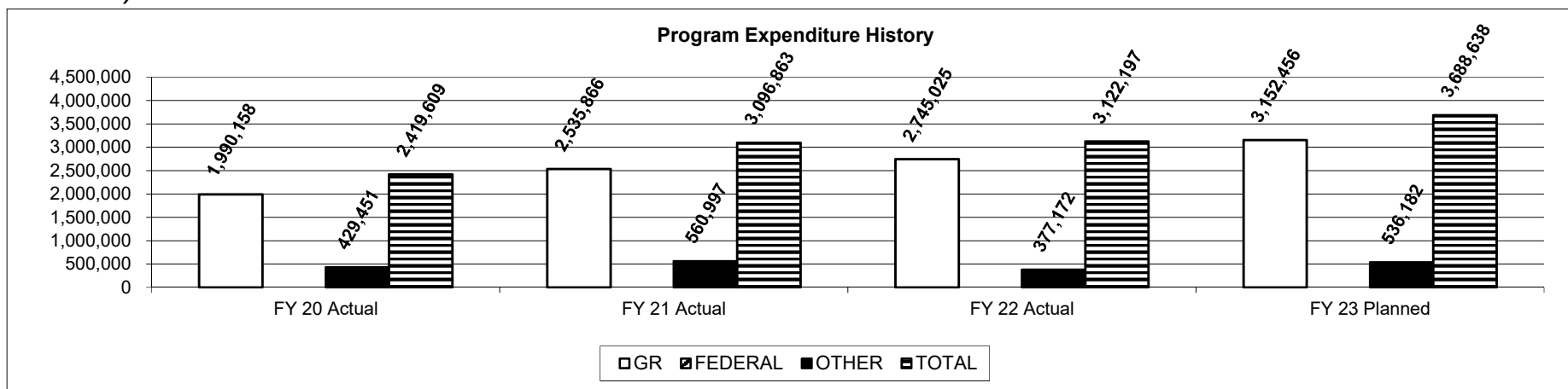
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3. Provide actual expenditures for the prior three fiscal years and planned expenditures for the current fiscal year. (Note: Amounts do not include fringe benefit costs.)



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

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, 132, 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