

PROGRAM DESCRIPTION

Department of Revenue

HB Section(s): 4.01

Program Name: Business Tax Bureau

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

1a. What strategic priority does this program address?

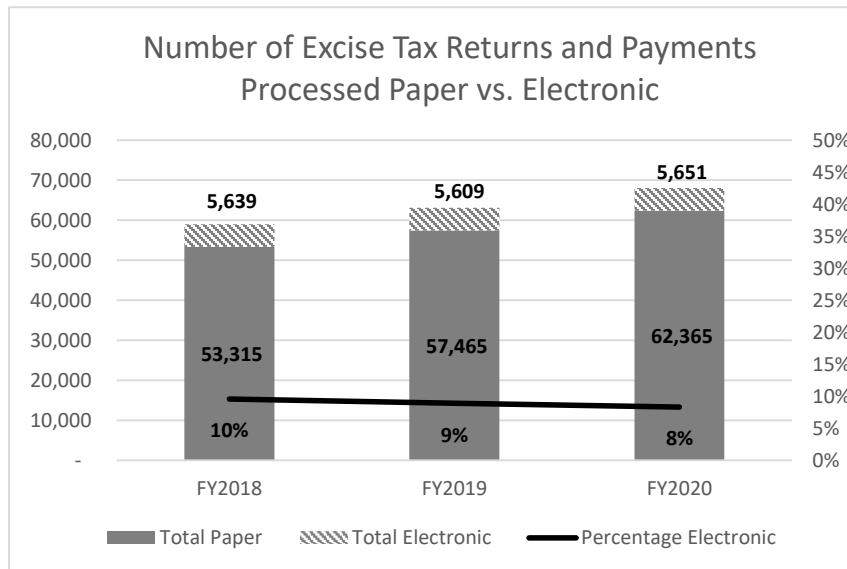
Embed Transformational Purpose; Focus on Service Culture; Partnerships; IT Roadmap

1b. What does this program do?

The **Business Tax Bureau** collects excise taxes, reviews and issues sales and use tax refunds, responds to sales/use and employer withholding tax correspondence, and distributes locally imposed sales and 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.

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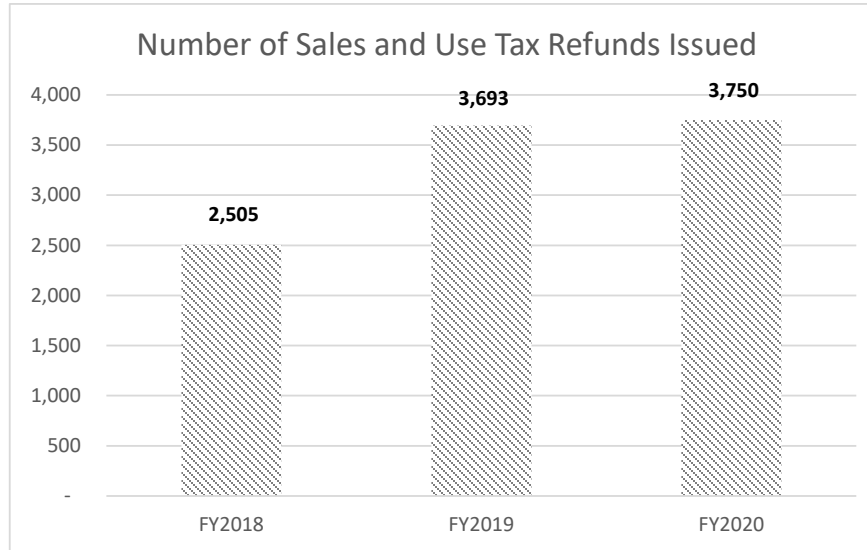
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ii. Sales / Use Refunds - Volume of Refunds Issued



Unlike income tax refunds, sales and Use tax overpayments are not issued directly off of a return. Sales/Use tax refunds must be submitted to DOR 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 being issued.

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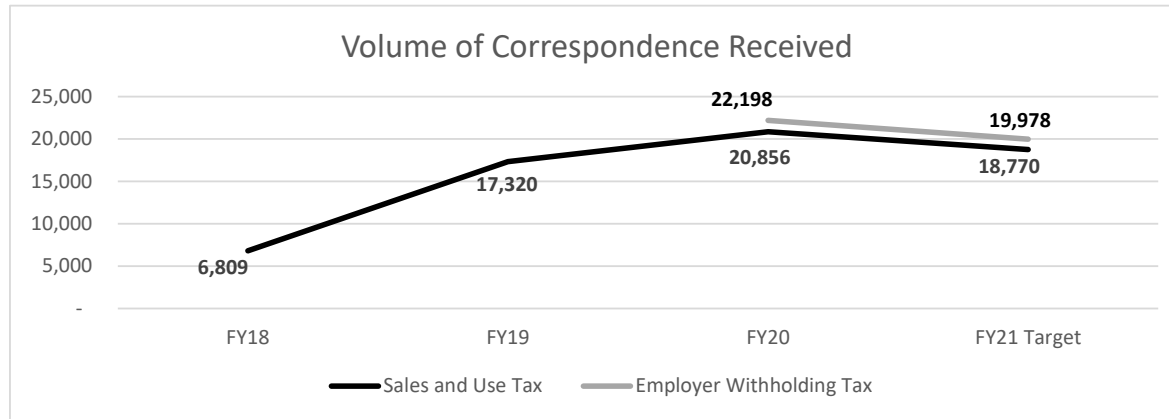
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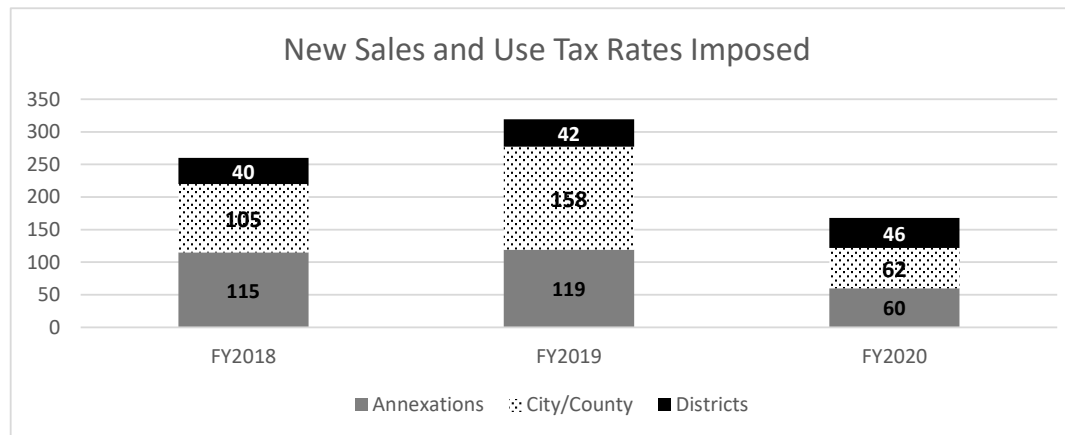
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iii. Business Tax Correspondence - Volume of Correspondence Received



Prior to January 1, 2020, the Business Tax Bureau did not track the amount of correspondence received for employer withholding tax; however, it has always kept a record of the amount received for sales and use tax. We continue to review the different types of correspondence received so that we can find ways to improve our processes and reduce the need for customers to contact our bureau.

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



New sales and use tax rates are imposed each quarter based on ballots passed by Cities, Counties, and Districts. The drop from FY19 to FY20 was due to Cities and Counties postponing April 2020 voting to June 2020, due to COVID-19. The votes to impose New Annexations and City/County Sales and Use Tax Rates were not received until July 2020 through October 2020. From July 2020 to January 2021, we have received 155 new sales and use taxes.

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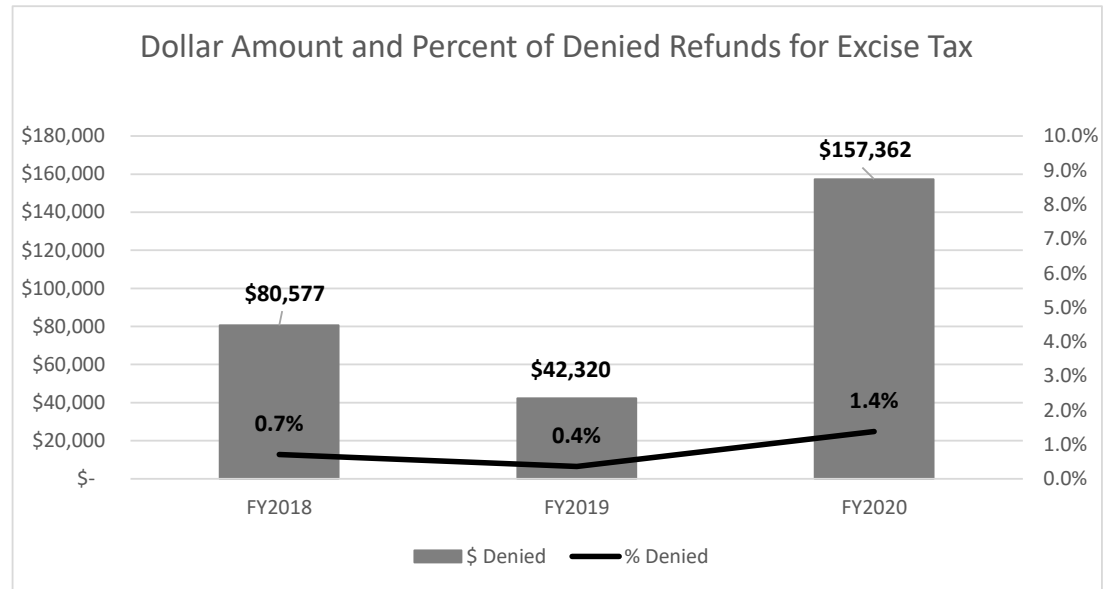
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2b. Provide a measure(s) of the program's quality.

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 FY2020, an abnormally large refund request was received and denied as it did not meet statutory reasons for refund.



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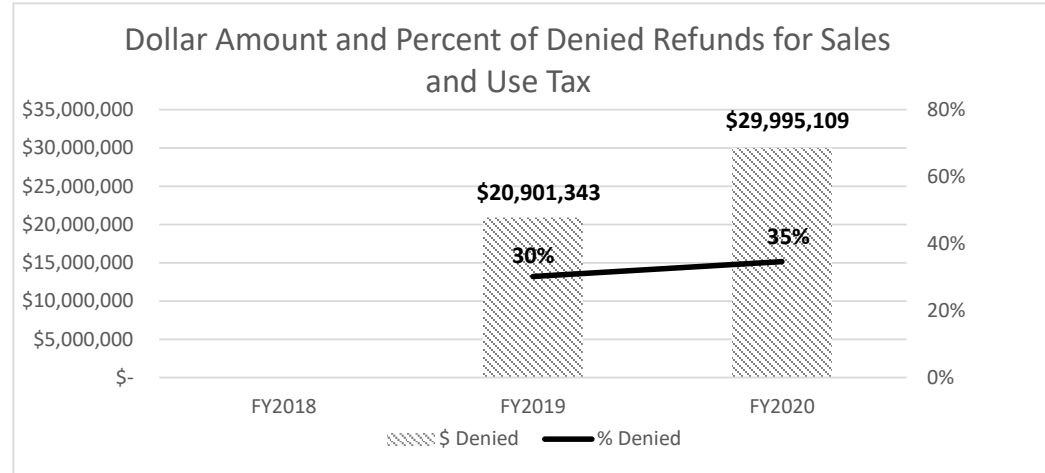
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ii. Sales / Use Refunds - Denied Refund Dollar Amount

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. In FY2019, we began tracking the sales and use refunds that were denied.



iii. Business Tax Correspondence - Quality of Correspondence Responses

The department does not currently track data for the quality of our correspondence processing. In early 2021, we will be implementing a survey feature in our email responses to taxpayers to rate their satisfaction of service with the department.

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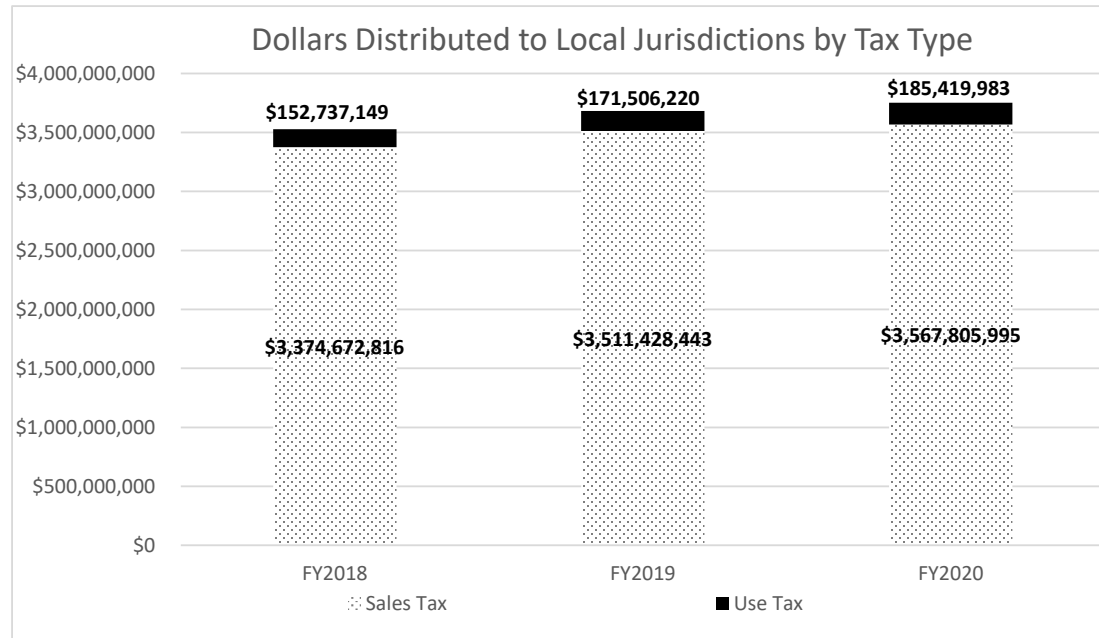
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iv. Local Tax - Dollars Distributed



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 after the month in which the sales and use tax returns are processed.

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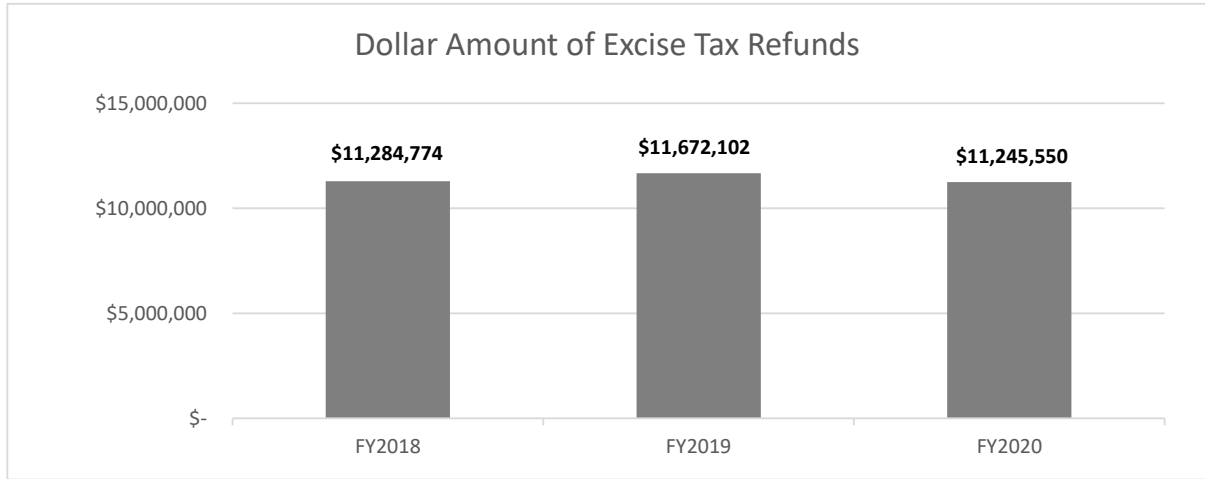
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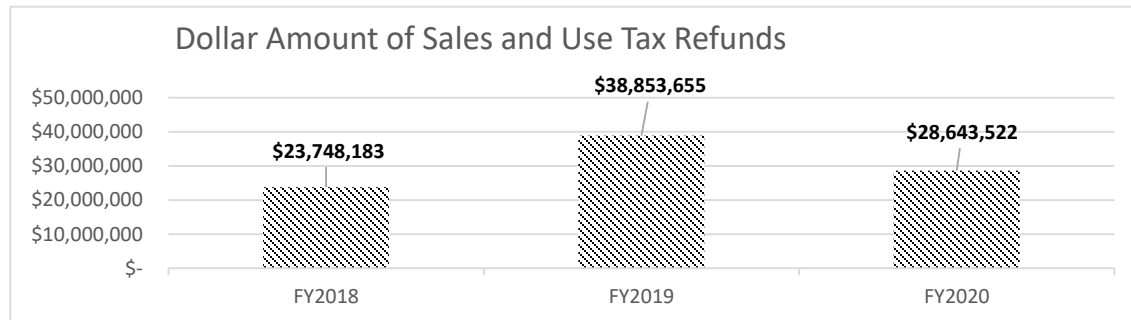
2c. Provide a measure(s) of the program's impact.



An average of 5,700 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.

ii. Sales / Use Refunds - Dollar Amount of Refunds

An average of 3,316 sales and use refunds were processed each fiscal year for the past three fiscal years. A refund could include one tax filing period or multiple tax filing periods.



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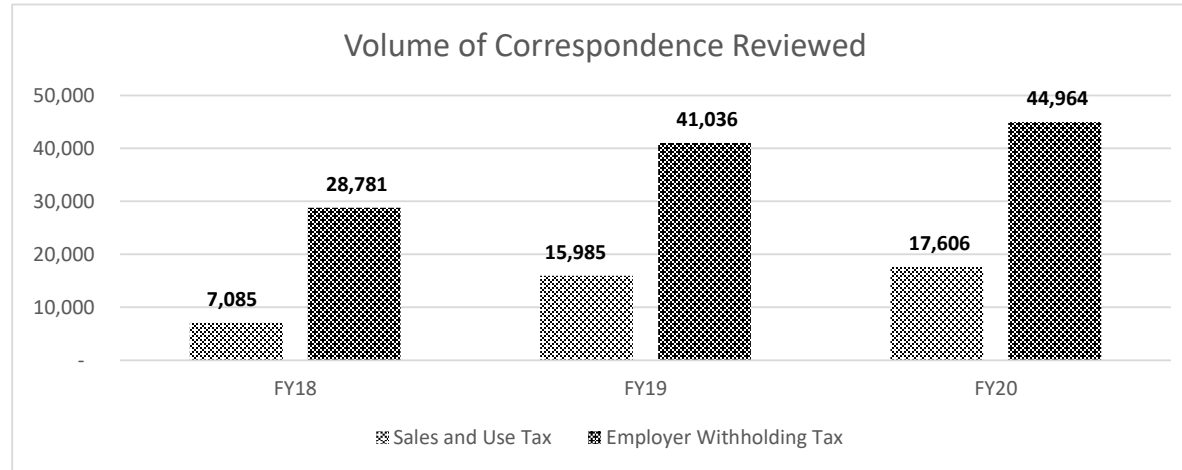
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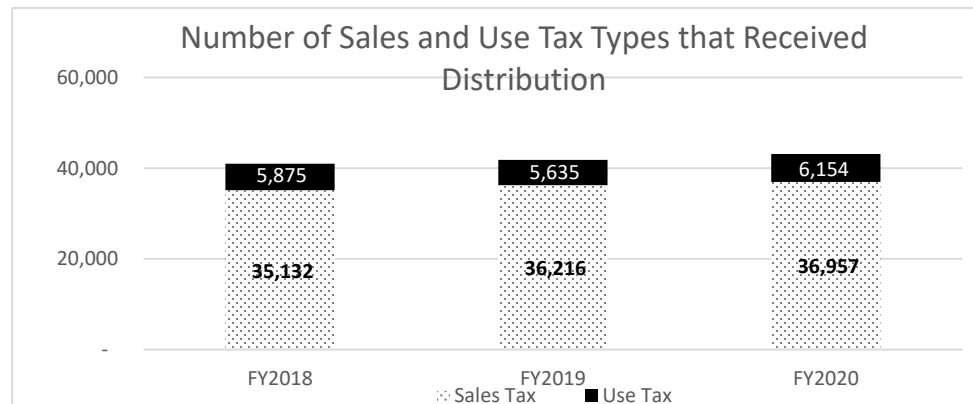
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iii. Business Tax Correspondence - Volume of Correspondence Reviewed

The Business Tax Bureau reviews taxpayer correspondence received by many media types, such as: mailed-in correspondence, email correspondence, and MyTax Missouri Portal service requests.



iv. Local Tax - Number of Sales and Use Types



The department distributes local sales and use tax to political subdivisions. The number of sales and use tax types that the department distributes to will vary depending on newly imposed taxes, annexations, and expirations of tax.

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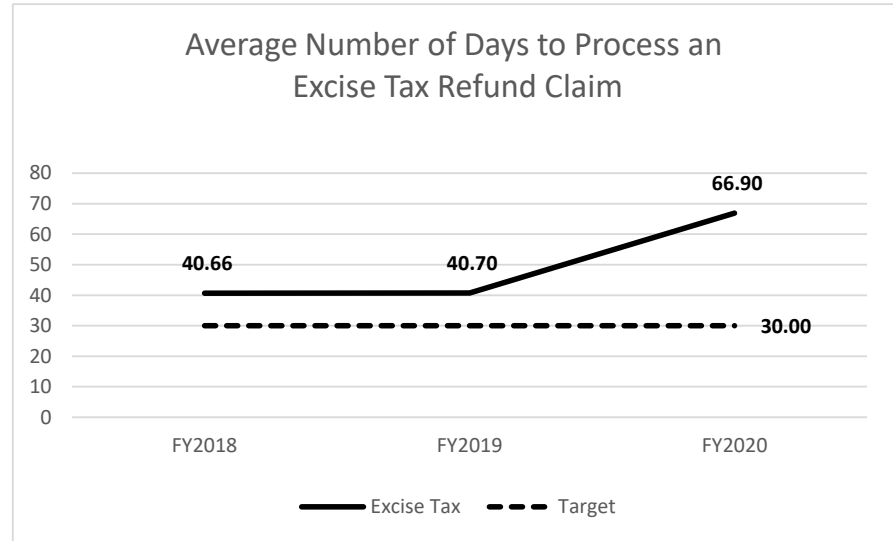
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2d. Provide a measure(s) of the program's efficiency.

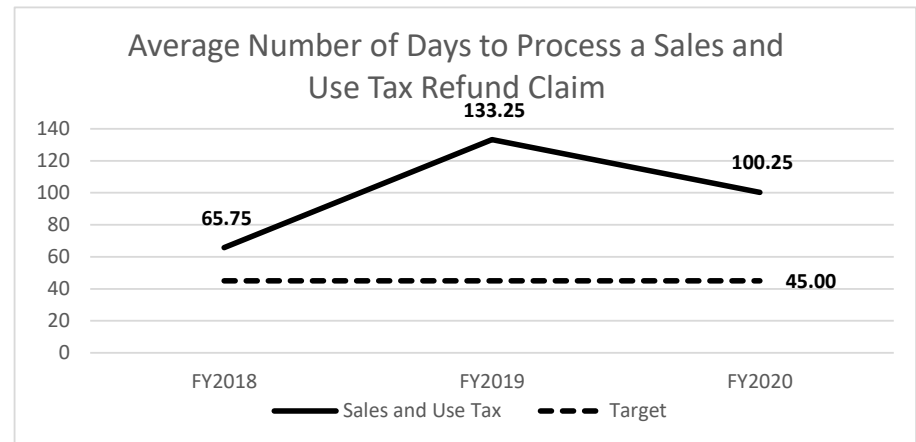
i. Excise Tax - Days to Process a Refund Claim

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 FY20. These issues are being rectified by adopting a "scan first" policy that will scan incoming paper documents to PDFs as a matter of course and also by cross educating more teammates to do these functions.



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

Remote work impacted this turnaround time since this is still a paper intensive area. The original receipt must be submitted with a motor fuel refund claim. The receipts are typically cash register receipts and/or gas pump receipts which are not easily scanned. However, we do receive several requests from entities that submit full page invoices. These invoices are now scanned which allows employees to work them from home. We have also cross educated additional employees and created a remote work rotation to reduce the overall the impact. These improvements have decreased the number of claims in the backlog and the processing time for the same period in FY2021 compared to FY2020.



In FY19, there was an increase in processing time due to implementation of the Integrated Tax System. Following the implementation, users have identified process improvements to reduce processing time. These process improvements will continue into FY21 and FY22.

FY2021 July – December: 56.41 days

FY2021 December: 14.95 days

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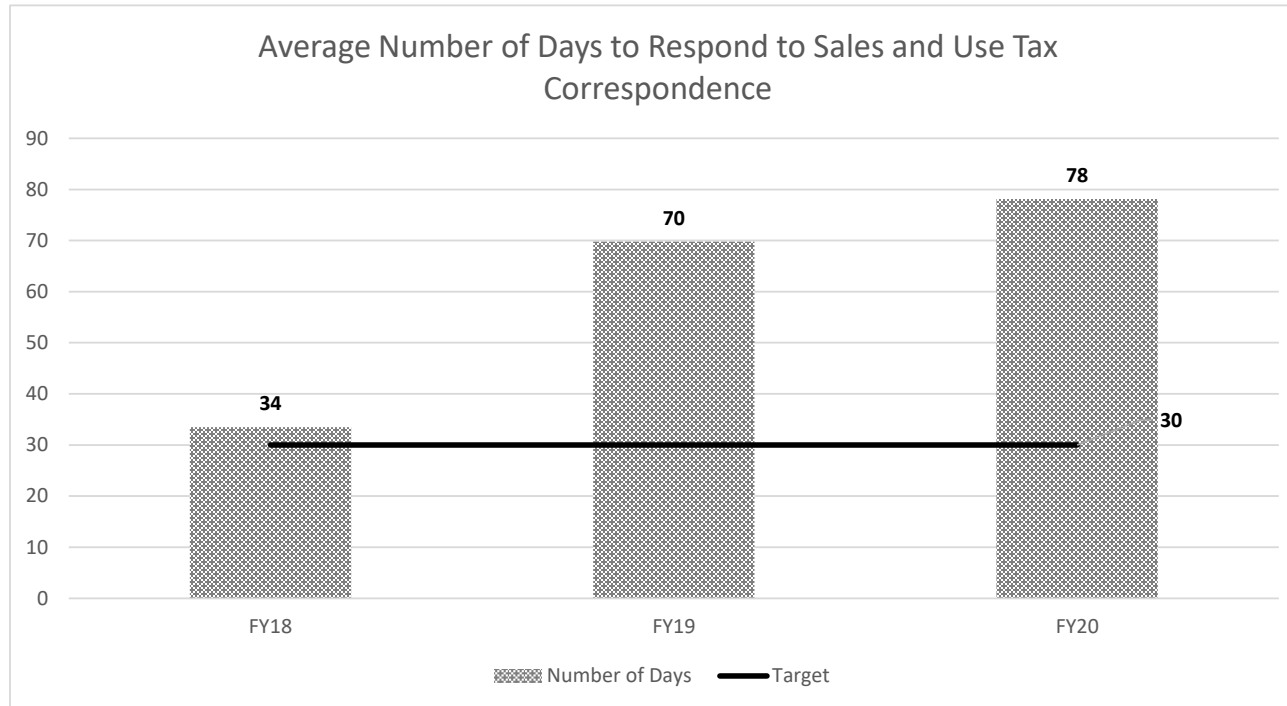
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iii. Business Tax Correspondence - Turnaround Time



In FY19 and FY20, we saw an increase in our number of days to respond to correspondence due to staff cross utilization with regression testing for implementation of a new tax type in the Integrated Revenue System. Staff also assisted with other tasks that contributed to our longer response times, such as: submitting and testing 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.

From August 2020 to October 2020, DOR cross educated and staff utilized additional team members to work the correspondence. The average number of days to respond dropped below 30 days. DOR stopped utilizing the 14 additional team members in October 2020, but have maintained a 30 day average response time frame for 4 months.

From July - December the average turnaround time was 37 days. The average for December was 21.5 days. There usually isn't a spike during the year for sales and use tax correspondence so we anticipate the average will be around that in the future.

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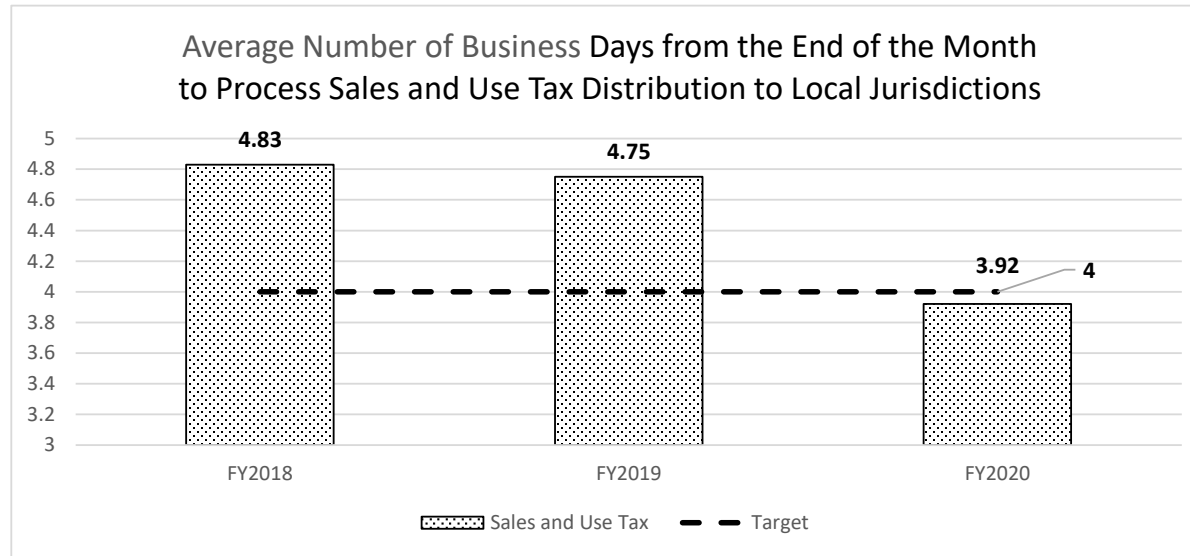
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iv. Local Tax - Sales and Use Distributions to Local Jurisdictions



By statute, local sales and use tax distribution must be completed by the 10th calendar day following the month the tax return was processed. The Business Tax Bureau 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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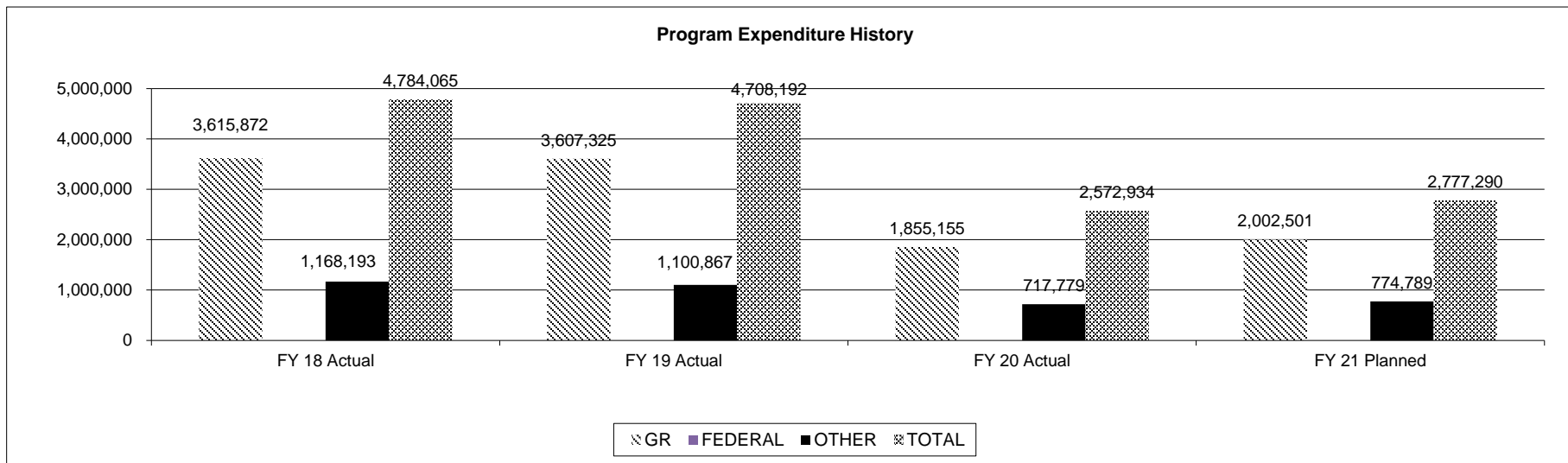
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3. Provide actual expenditures for the prior three fiscal years and planned expenditures for the current fiscal year.
 (Note: Amounts do not include fringe benefit costs.)



Fiscal years 2018 and 2019 contain costs associated with the Processing Bureau. The Processing Bureau was created in FY20.

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