

PROGRAM DESCRIPTION

Department of Revenue

HB Section(s): 4.01

Program Name - Income 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

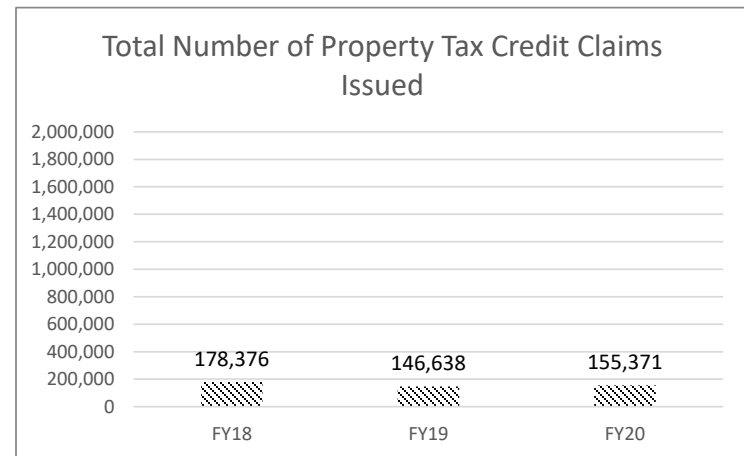
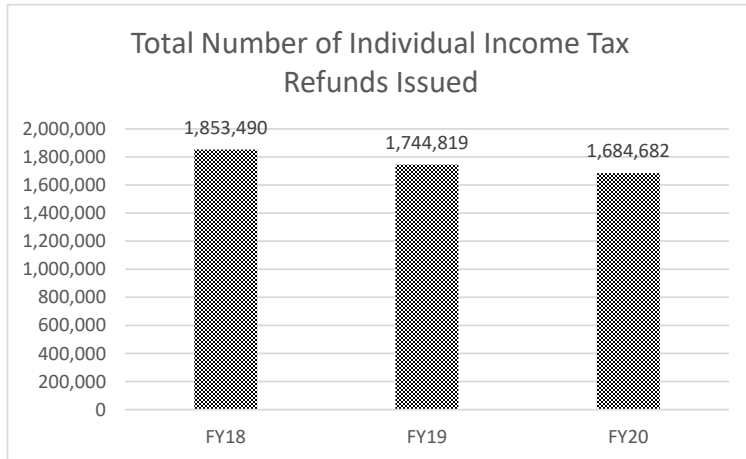
1b. What does this program do?

The Income Tax Bureau administers income tax laws to prevent fraud and inaccurate refunds by issuing refunds and manually reviewing returns for individual income tax, corporate income tax, fiduciary tax, partnership tax and property tax credit claims, issuing notices of adjustment and billings, responding to customer's correspondence, conducting debt offset programs and reviewing returns for fraud.

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

i. Refunds - Volume Issued

The Income Tax Bureau is responsible for issuing refunds and claims to customers. The decrease in individual income tax refunds issued for FY20 is attributed to the extension of the individual income tax due date from April 15, 2020 to July 15, 2020.



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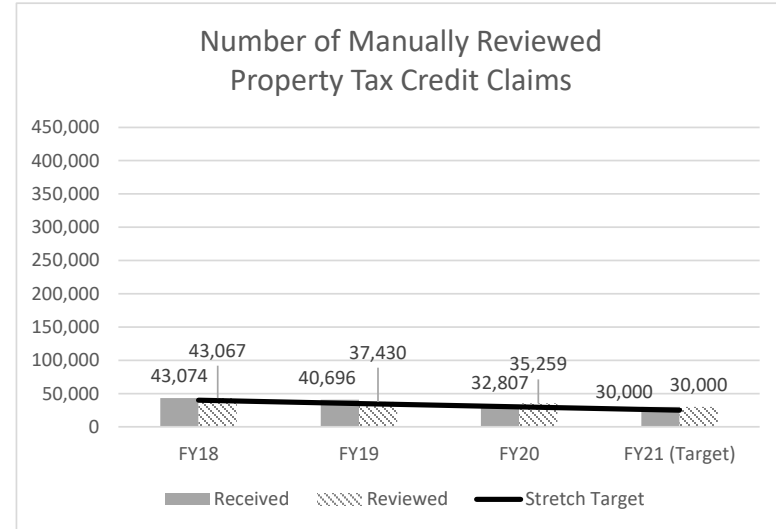
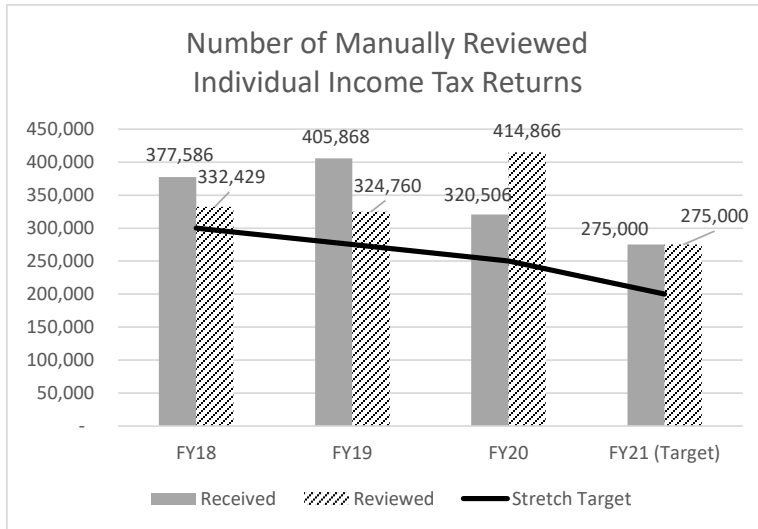
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2a. Provide an activity measure(s) for the program (cont).

ii. Returns Manually Reviewed - Volume

The Division conducts a manual review of certain returns to ensure returns are calculated correctly and that customers provide proper support for their claims. In FY20, the Income Tax Bureau evaluated the effectiveness of our system edits and made changes that resulted in fewer returns being subject to manual review--the amount of manually reviewed returns received dropped from 405k in FY19 to 320k in FY20. The extension of the individual income tax due date from April 15, 2020 to July 15, 2020 also impacted this drop. The number of individual income tax returns reviewed in FY20 is higher than the amount reviewed due to the carryover of returns from FY19 and the bureau's revised cross education and staffing plans which increased staffing levels for critical functions with backlogs.



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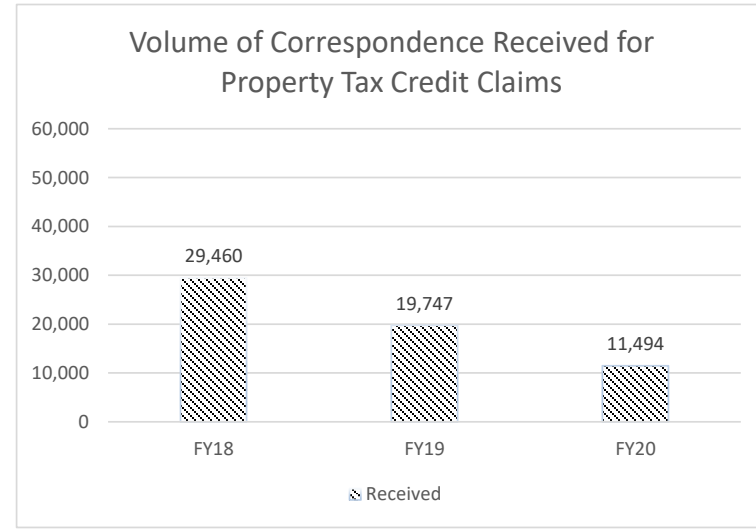
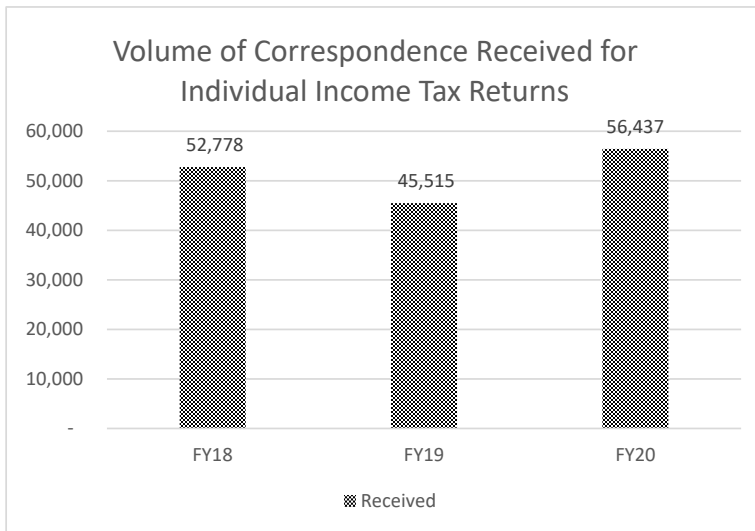
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2a. Provide an activity measure(s) for the program (cont).

iii. Correspondence Received for Individual Income and Property Tax Credit Claims - Volume

The Income Tax Bureau sends outbound correspondence to customers whose accounts have been adjusted or whose accounts show a balance due owed to the Department. In FY20, the Division sent out 699,853 pieces of correspondence for individual income tax and property tax credits. The Income Tax Bureau also receives inbound correspondence and responds to inquiries regarding customers' individual income tax and property tax credit accounts. The FY20 increase in received correspondence is due to a carryover from FY19. The cross education and staffing plan created by the bureau has attributed to the success in decreasing the volume of correspondence at the end of FY20.



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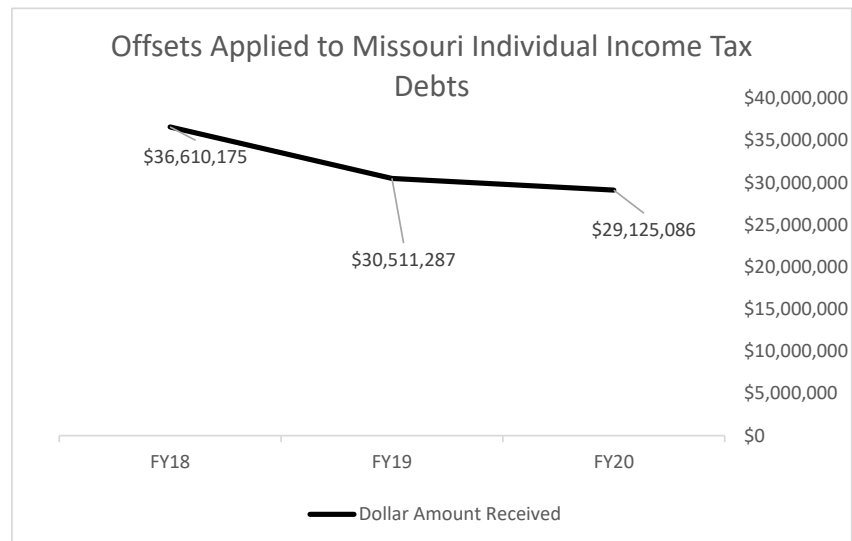
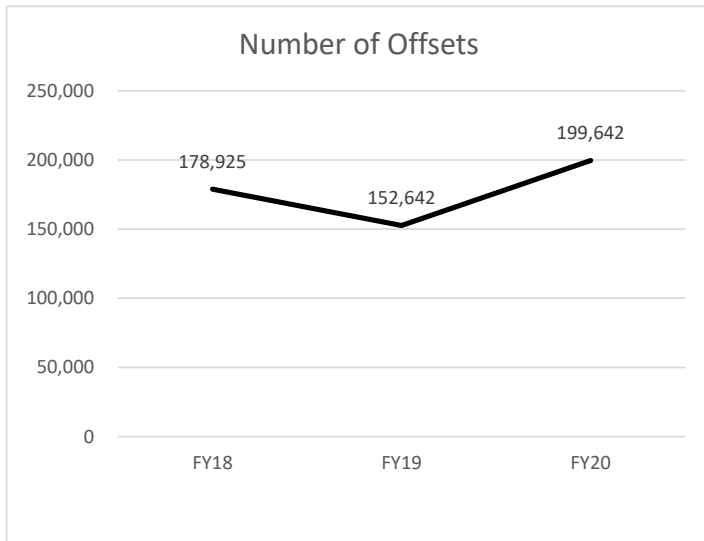
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2a. Provide an activity measure(s) for the program (cont).

iv. Income Tax Offsets - Volume

The Department has a reciprocal offset agreement with many other state agencies, colleges and housing authorities that allows us to offset individual income tax refunds if a customer has an existing debt with a partner agency, college or housing authority.

The Department has a reciprocal offset agreement with the Internal Revenue Service and Kansas Department of Revenue to receive offset money to apply to Missouri individual income tax debts. The dollar amount below also include any offsets that were a result of an internal offset.



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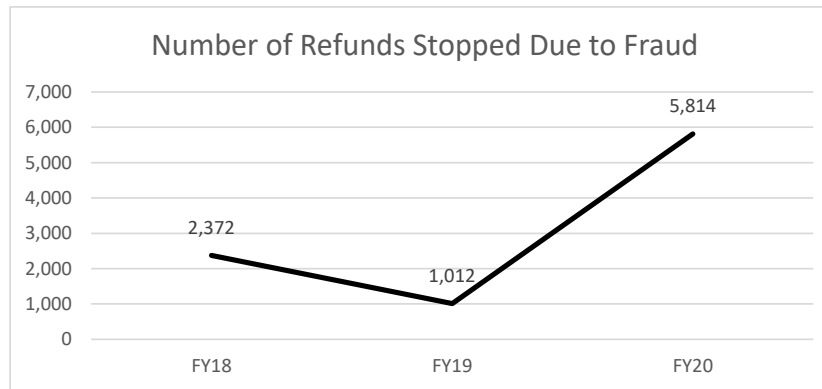
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2a. Provide an activity measure(s) for the program (cont).

v. Refunds Stopped Due to Fraud - Volume

The Income Tax Bureau works with an external vendor to continually update a fraud analytics algorithm that identifies fraudulent returns. The algorithm is updated based on information found from our fraud team and other states sharing fraud patterns. A score is assigned to electronically filed returns. If the score exceeds the thresholds set, the return automatically will go to manual review. In FY20, the Department saw a spike in fraud patterns and continued to update the algorithm through our vendor.



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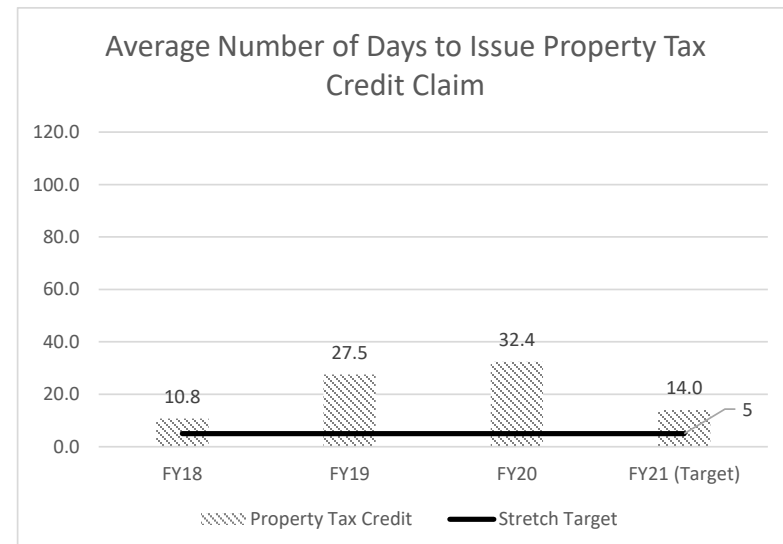
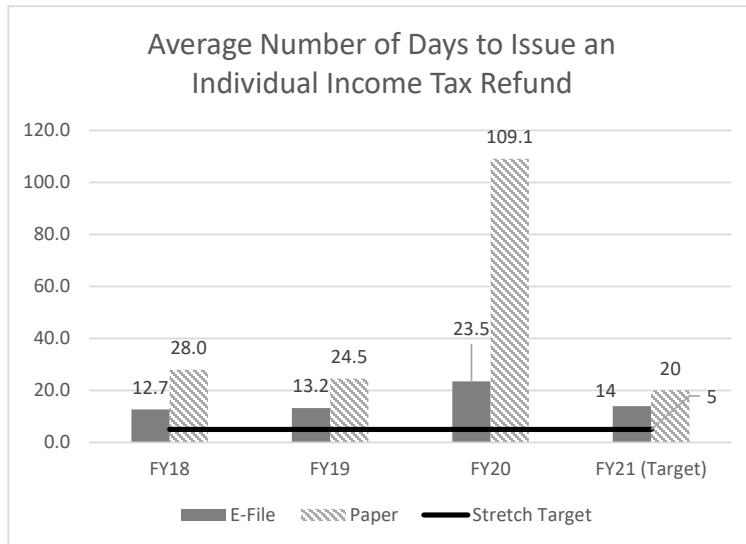
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2b. Provide a measure(s) of the program's quality.

i. Refunds - Average Number of Days to Issue

The graphs below show the average number of days to issue a refund. Individual income tax has been segmented out by e-filing and paper returns. Overall, 88% of customers file their individual income tax returns and property tax credit claims electronically; only 12% file by paper. This impacts the overall average which is approximately 34 days. The increase in days to issue a paper refunds in FY20 was due to certain functionality not being operational until FY20. As these issues were resolved, refunds were issued. In FY20, most refunds were held from late March to early May, due to cash flow uncertainty related to COVID-19. This increased the average days to issue for all refunds in this time.



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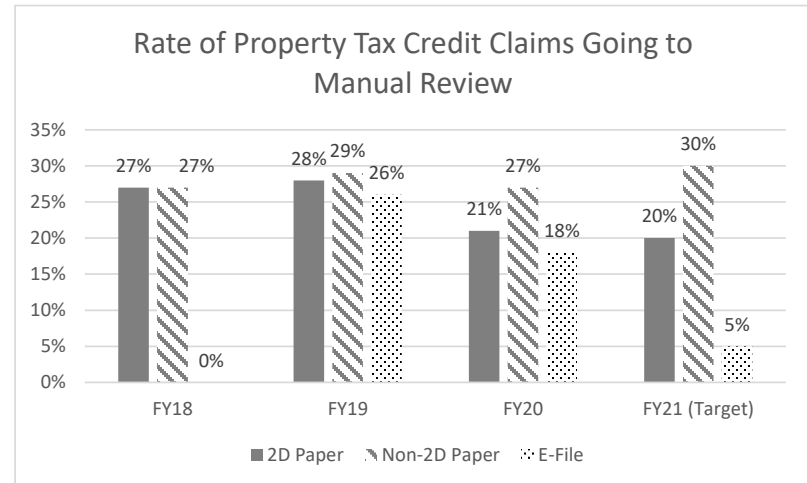
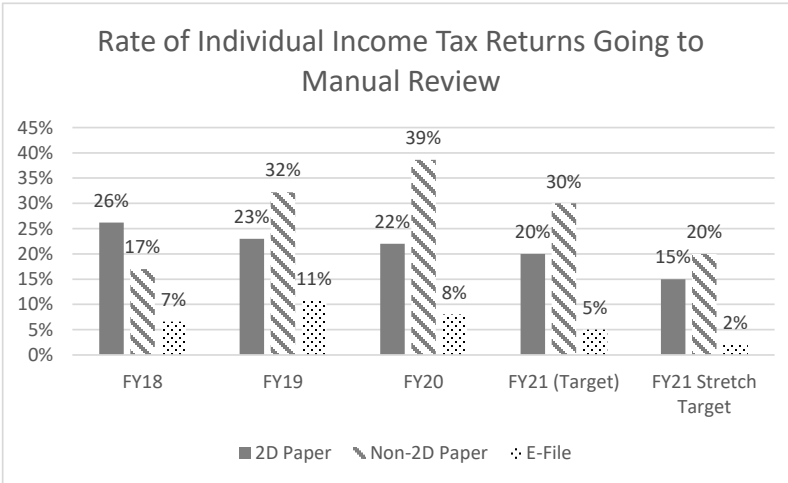
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ii. Rate of Returns Going to Manual Review

Individual income tax returns are segmented below by filing type. 2D paper returns are scanned in the system by reading a barcode on the paper return. Non-2D paper returns have no barcode and must be keyed into the system. Non-2D barcode paper returns have a much higher manual review rate than 2D or electronic returns, as data entry errors also cause manual review. Overall, the Department receives 88 percent of individual income tax returns electronically. The number of paper returns received continues to decrease annually as a proportion of total returns received.



iii. Correspondence Received for Individual Income and Property Tax Credit Claims

The department does not currently track data for the quality of our correspondence processing. However, 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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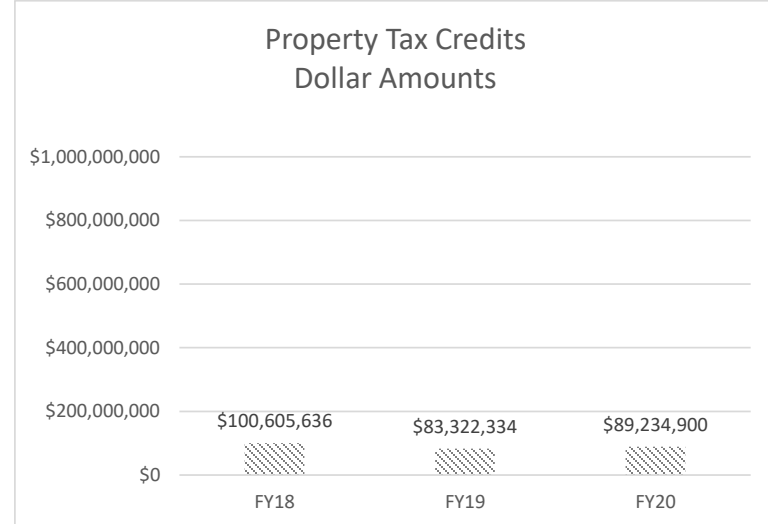
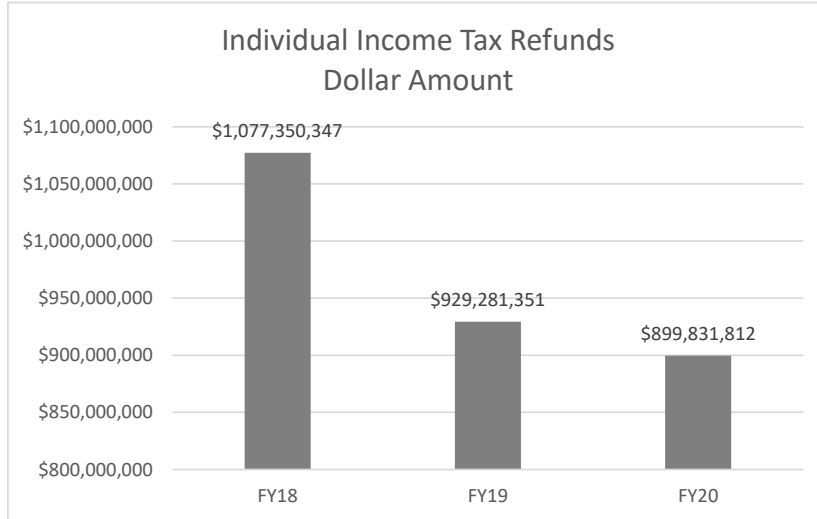
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2c. Provide a measure(s) of the program's impact.

i. Refunds and Claims Issued - Total Dollar Amount

Below is the dollar amount in refunds and claims issued by fiscal year, which correlates to 2a above. The decrease in refunds issued for FY20 is attributed to the extension of the due date from April 15, 2020 to July 15, 2020. The decrease from FY18 to FY19 reflects changes to the withholding



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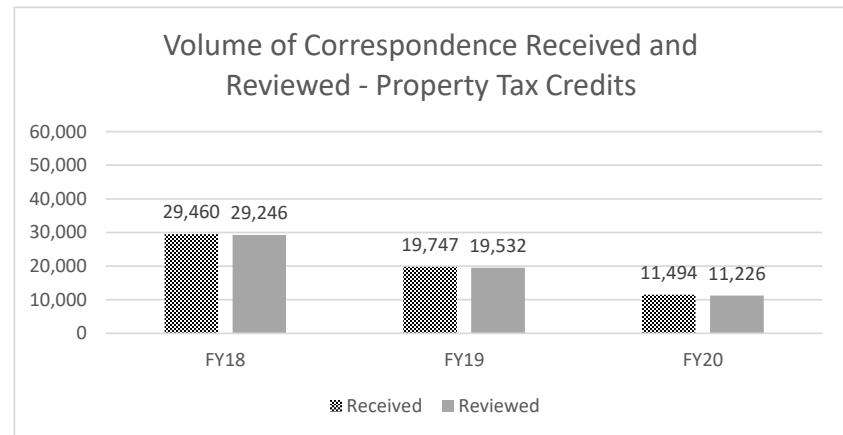
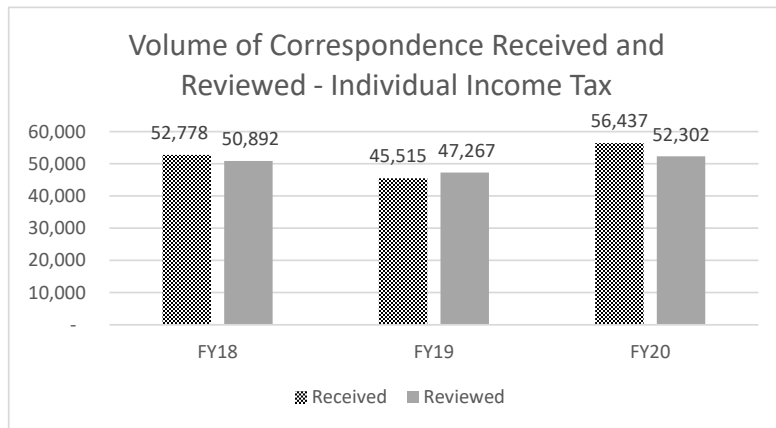
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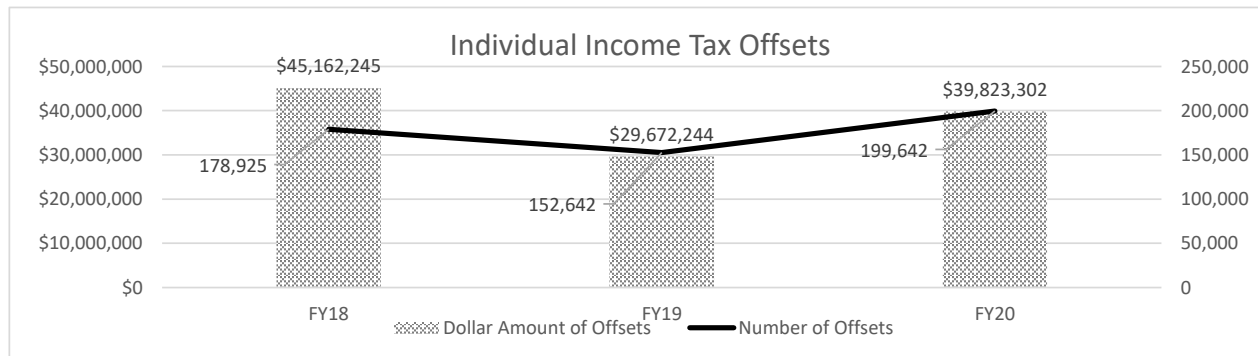
ii. Volume of Correspondence Reviewed for Individual Income and Property Tax Credit Claims

The Income Tax Bureau receives and responds to inquiries regarding customer's individual income tax and property tax credit accounts.



iii. Income Tax Offsets - Dollar Impact

The Department has a reciprocal offset agreement with many other state agencies, colleges, and housing authorities that allows us to offset individual income tax refunds if a customer has an existing debt with that partner agency, college or housing authority.



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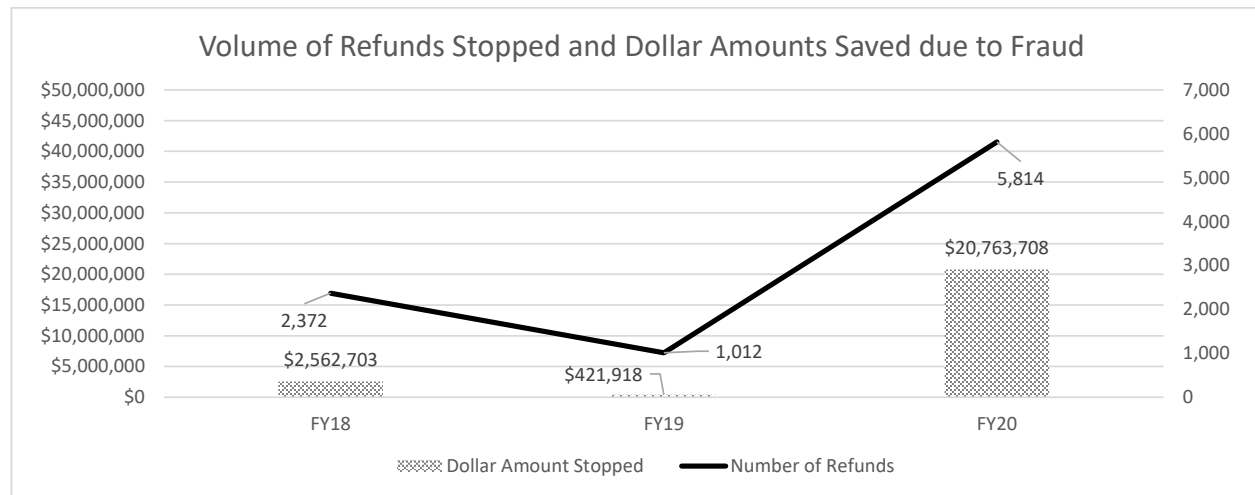
HB Section(s): 4.01

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iv. Refunds Stopped Due to Fraud - Volume and Dollar Amount

The Income Tax Bureau tracks the volume and dollar amount of refunds stopped due to fraudulent returns that were filed with the Department. These refunds were identified as noted in 2.a.V.



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

i. Issuing Individual Income Tax Refunds and Property Tax Credit Claims

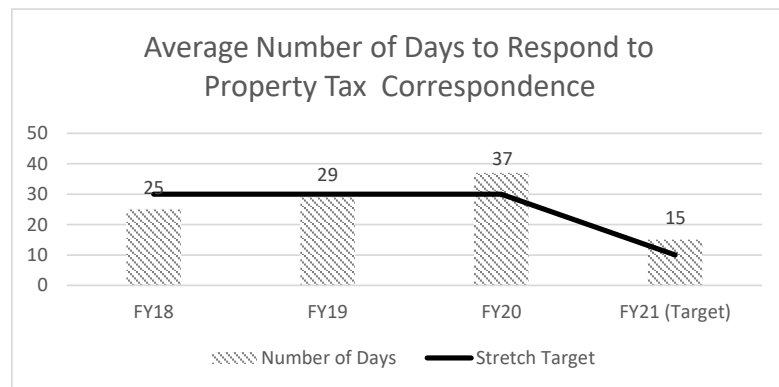
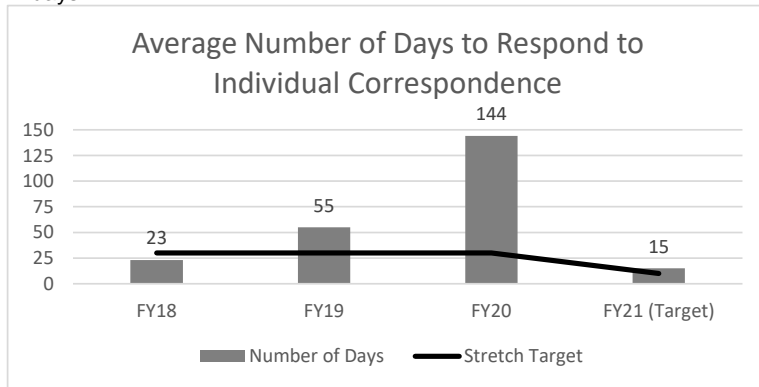
The Department worked diligently in FY20 to complete bug fixes and construct detailed staffing plans to lower our average days to issue a refund to the taxpayers. These efforts will continue into FY21. We will also be able to use high-speed scanners to input 2D barcode returns into the system, rather than relying on hand scanners as we did in FY20 and prior years. The improvement and efficiency of this work completed is projected to lower the days to issue a refund in FY21.

ii. Manually Review Individual Income Returns and Property Tax Credit Claims

As stated in 2.a.ii., the Department evaluated all of our system edits to ensure the system edits in place were effective. Efficiencies were made to our system edits in FY20 that resulted in fewer returns and claims being manually reviewed for taxpayers that completed their return accurately.

iii. Individual Income and Property Tax Credit Correspondence - Average Number of Days to Respond

In FY19, the Department went operational with the individual income tax component of its new Integrated Tax System. The increase in days to respond in FY19 and FY20 was due to certain functionality not being operational until late FY20, prioritization of manual review of returns and prioritization of bug fixes. As these issues were resolved, we addressed pending correspondence. As of January 12, 2021, the number of days to respond to individual income tax correspondence is 19 days and the number of days to respond to property tax credit claim correspondence is 10 days.



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iv. Income Tax Offsets

The Department worked throughout FY20 to fix any outstanding bugs for the offset program and to eliminate manual intervention. Efficiencies were made with reports and application of payments. All reports are now electronic and payments received for individual income tax debts are automatically applied to these debts without a manual review.

v. Refunds Stopped Due to Fraud

The Department works with our vendor that updates the algorithm on a daily basis or as needed based on patterns identified with the sources used. With the availability to update these algorithms, our fraud program has been successful in stopping refunds as showing in 2c.iii.

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

Professional Licensee/State Employee Notifications/Compliant Customers by Agency Notification

In FY20, the decrease in the number of notifications decreased to zero due to this function not being operational. All are operational for FY21.

	FY18	FY18	FY19	FY19	FY20	FY20
State Employees	4,148	97%	3,888	61%	0	0%
Professional Registration	4,154	63%	206	38%	0	0%
Insurance	171	26%	14	50%	0	0%
Nursing Home Administrators	38	29%	0	0%	0	0%
Attorneys	0	0%	0	0%	0	0%

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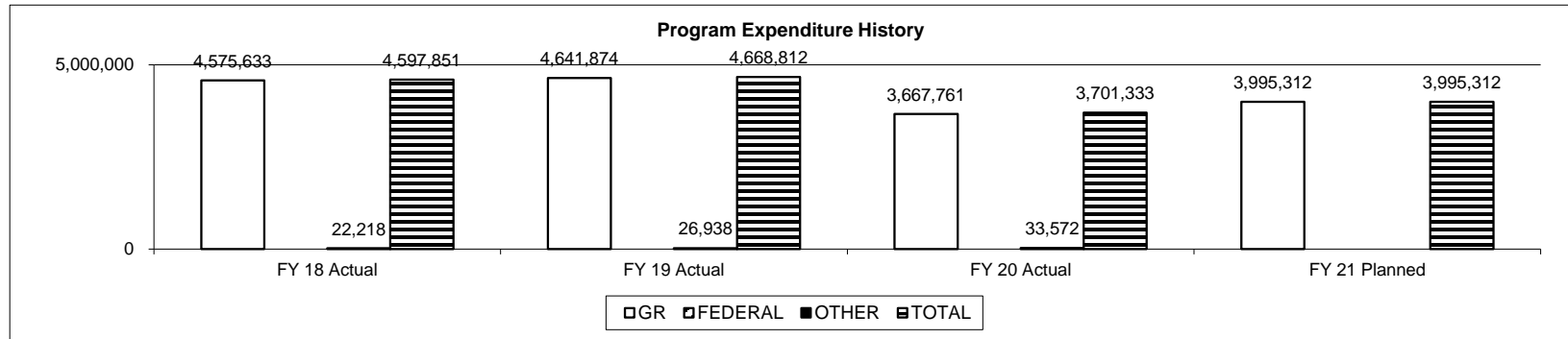
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8. Provide actual expenditures for the prior three fiscal years and planned expenditures for the current fiscal year. (Note: Amounts do not include fringe)



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

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

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

10. 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, 134, 143, 143, 144, and 147 RSMo

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

No

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

No