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Missouri State Auditor

Department of Revenue

Sales, Use, and Marijuana Taxes

Report No. 2026-024

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Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Department of Revenue Sales, Use, and Marijuana Taxes

Timely Sales and Use Tax Discounts

As noted in multiple previous audit reports, state law allows retailers to retain a portion of sales and use taxes collected if they remit the taxes to the Department of Revenue (DOR) timely, resulting in the state and local governments forgoing significant revenues. Missouri's timely sales and use tax discount remains the most generous such discount in the nation, and significantly benefits the state's largest retailers. In addition, the DOR does not routinely report to the General Assembly the amount of timely sales and use tax discounts retained by businesses for its review and consideration.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Department of Revenue

Sales, Use, and Marijuana Taxes

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SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

Honorable Mike Kehoe, Governor
and
Members of the General Assembly
and
Trish Vincent, Director
Department of Revenue
Jefferson City, Missouri

We have audited certain operations of the Department of Revenue, sales and use tax collections, as required by Section 32.087, RSMo. In addition, we have audited certain operations of the Department of Revenue, marijuana tax collections, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2024. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions related to the collection and distribution of sales, use, and marijuana taxes.
2. Evaluate the department's compliance with certain legal provisions related to the collection and distribution of sales, use, and marijuana taxes.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions related to the collection and distribution of sales, use, and marijuana taxes.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; analyzing comparative data obtained from internal sources; and testing selected transactions. We reviewed sales, use, and marijuana tax collections and distributions, and performed sample testing of sales, use, and marijuana tax transactions using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

Except as discussed in the following paragraph, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Government Auditing Standards require us to obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations included in the audit report. Due to the nature of this report, and due to the finding being legislative in nature, we were unable to obtain views of responsible officials for the finding, conclusion, and recommendation outlined in the Management Advisory Report.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the department's management and certain external sources and was not subjected to the procedures applied in our audit of the department.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of the Department of Revenue, sales, use, and marijuana tax collections and distributions.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive, flowing style.

Scott Fitzpatrick
State Auditor

Department of Revenue

Sales, Use, and Marijuana Taxes

Introduction

Background

Sales and use tax

The state's sales tax is imposed on the purchase price of tangible personal property or taxable services sold at retail. Use tax is imposed on the storage, use, or consumption of tangible personal property in this state. Cities and counties may impose a local sales and use tax. Special taxing districts such as transportation development districts, community improvement districts, and ambulance districts may also impose additional sales taxes. State and local sales and use taxes are collected by the Department of Revenue (DOR). The DOR then distributes the state portion to various state funds and the local portion to the applicable political subdivisions.

Sales and use tax receipts collected from businesses and motor vehicle sales tax receipts collected from businesses and individuals are deposited into various state and local funds listed subsequently in this section. Marine and ATV sales and use tax collections are deposited into the same funds as state sales and use tax. Motor vehicle leasing sales tax collections are deposited into the same funds as motor vehicle sales tax.

For operating purposes, the DOR has been charged with the responsibility of administering transactions related to sales and use taxes in the following funds and accounts.

State Funds

The State Treasurer, as fund custodian, and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly for all state funds.

General Revenue Fund: This fund, authorized by Section 144.700, RSMo, receives collections from a general 3 percent state sales and use tax. State sales tax is collected pursuant to Sections 144.010 to 144.527, RSMo, and state use tax is collected pursuant to Sections 144.600 to 144.752, RSMo. Retail sales of food are not subject to the 3 percent tax as provided by Section 144.014, RSMo. This fund also receives payments from common carriers in interstate air transportation, as authorized by Section 144.807, RSMo. In addition, the General Revenue Fund pays all motor vehicle sales tax refunds and receives motor vehicle sales tax collections as reimbursement from other state funds for their applicable share of the refunds.

Aviation Trust Fund: This fund, authorized by Section 144.805, RSMo, receives collections from a sales and use tax on aviation jet fuel from common carriers. These taxes are paid as a result of exemptions to the general sales and use tax. The exemptions are a result of direct-pay agreements between common carriers and the DOR.



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Conservation Commission Fund: This fund, authorized by Section 254.020, RSMo, receives collections of the 0.125 percent state sales and use tax and motor vehicle sales tax provided for in the Missouri Constitution, Article IV, Section 43(a).

State Highways and Transportation Department Fund: This fund received 75 percent of the collections from the 4 percent highway use tax during fiscal years 2013 and 2012. Under Section 144.020, RSMo, all motor vehicle transactions are now assessed a sales tax, which is deposited into the State Road Fund and the State Road Bond Fund. This fund continues to receive some residual highway use tax collections.

Parks Sales Tax Fund: This fund, authorized by the Missouri Constitution, Article IV, Section 47(a) and 47(b), receives 50 percent of the collections from a 0.1 percent state sales and use tax and motor vehicle sales tax.

School District Trust Fund: This fund, authorized by Section 144.701, RSMo, receives collections from a 1 percent state sales and use tax pursuant to Section 144.701, RSMo. Retail sales of food are subject to a 1 percent tax to be deposited into this fund as provided by Section 144.014, RSMo. In addition, this fund receives 12.5 percent of collections from the 4 percent motor vehicles sales tax pursuant to the Missouri Constitution, Article IV, Section 30(b)(2).

Soil and Water Sales Tax Fund: This fund, authorized by the Missouri Constitution, Article IV, Section 47(a) and 47(b), receives 50 percent of the collections from a 0.1 percent state sales and use tax and motor vehicle sales tax.

State Road Bond Fund: This fund, authorized by the Missouri Constitution, Article IV, Section 30(b), receives 37.5 percent of the collections from the 4 percent motor vehicle sales tax.

State Road Fund and State Transportation Fund: These funds, authorized by the Missouri Constitution, Article IV, Section 30(b), receive 37.5 percent of the collections from the 4 percent motor vehicle sales tax, which is deposited 36.5 percent to the State Road Fund and 1 percent to the State Transportation Fund.

Local Funds

Sales and use tax collections for local funds are deposited into interest-bearing bank accounts under the administrative control of the DOR and allocated to an investment pool until distributed. Subsequently, 99 percent of the collections and earned interest are distributed to the various political subdivisions with the remaining 1 percent deposited into the General Revenue



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Fund for a collection fee, except for the Local Fuel Tax and Bond Trust Fund, which has no collection fee withheld from distributions to the fund. The DOR has sole responsibility for maintaining and disbursing fund resources for all local funds.

Local Fuel Tax and Bond Trust Fund: This fund, authorized by the Missouri Constitution, Article IV, Section 30(b), receives 12.5 percent of the collections from the 4 percent motor vehicle sales tax. In addition, this fund receives collections from the motor fuel tax authorized by Section 142.803, RSMo.

Local Sales and Use Tax Trust Fund: This fund receives collections generated from local sales taxes imposed by local political subdivisions, as authorized by Chapters 66, 67, 70, 92, 94, 162, 190, 238, 321, and 644, RSMo. In addition, this fund receives collections generated by a use tax, authorized by Section 144.757, RSMo, based on the local sales tax in effect, upon all transactions subject to taxes imposed under Sections 144.600 to 144.752, RSMo, except as otherwise provided. Net taxes and interest are subsequently distributed to the cities and counties.

Custodial Accounts

The DOR has shared responsibility with the State Treasurer for maintaining and disbursing account resources of the custodial accounts. The DOR has custody of the Motor Vehicle Clearing Account and the State Treasurer has custody of the Sales Tax Bond Account. Collections for the account held by the DOR are deposited into an interest-bearing bank account and allocated to an investment pool.

Motor Vehicle Clearing Account: The DOR has been charged with the responsibility of administering transactions in the Motor Vehicle Clearing Account and actual custody of account resources ultimately rests with the department. This account receives collections from motor vehicle contracted agent offices and the central office for various taxes and fees. These receipts are held in trust by the DOR until subsequently transferred to various state and local funds.

Sales Tax Bond Account: The DOR has been charged with the responsibility of administering transactions in the Sales Tax Bond Account. The DOR receives cash bonds posted by taxpayers as authorized by Section 144.087, RSMo. All bond collections are deposited in the General Revenue Fund, which is in the custody of the State Treasurer, and reported by the DOR in this account. Cash bonds and related interest are to be refunded to the taxpayer after 1 year if the taxpayer is determined to have satisfactory tax compliance and if the bond was posted before January 1, 1984. If the bond was posted on or after January 1, 1984, the Attorney General has determined that no interest



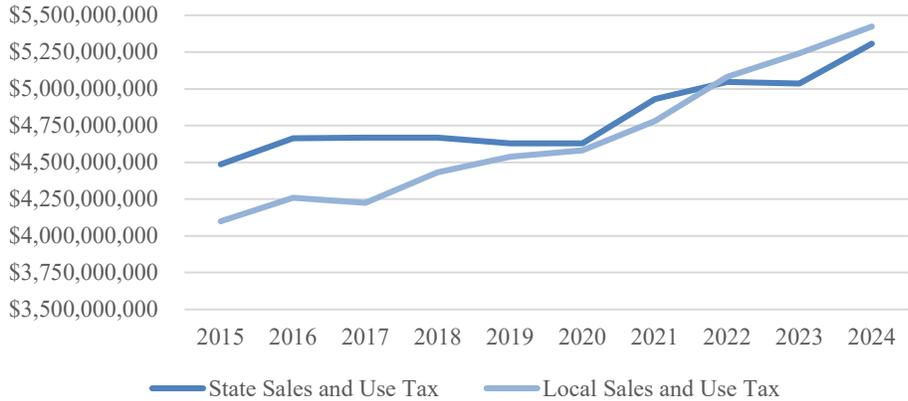
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should be refunded. In the event of uncollectible sales tax liabilities, the bonds and related interest, if any, are forfeited to the DOR. The department subsequently distributes the money to the state and the appropriate political subdivisions. Effective August 28, 2018, a bond is no longer required to obtain a retail sales license, but may be required of licensees in default of filing a return and paying taxes when due.

Historical sales and use tax trends and information

As shown in Figure 1, when adjusted for inflation, state and local sales and use tax collections have increased for most years between fiscal year 2015 and fiscal year 2024. Adjusted state sales and use tax collections increased from \$4.49 billion to \$5.31 billion (18 percent), while adjusted local sales and use tax collections increased from \$4.10 billion to \$5.42 billion (32 percent) during this time period.

Figure 1: State and local sales and use tax collections, 2015-2024, by fiscal year, adjusted for inflation



Source: DOR annual reports, with inflation calculations performed by the SAO using Federal Reserve Bank of St. Louis, *Consumer Price Index for All Urban Consumers*, <<https://fred.stlouisfed.org/series/CPIAUCSL>>, accessed April 24, 2025. See additional detail at Appendix F.

Local sales taxes collected exceeded state sales taxes for the first time in fiscal year 2022, with this trend continuing through fiscal year 2024. The state sales and use tax rate has remained at 4.225 percent during the 10 years depicted in Figure 1. In comparison, local sales and use tax rates imposed by political subdivisions are continuously changing as local taxing jurisdictions impose new tax rates and others expire. According to the Tax Foundation,¹ Missouri's average local sales tax rate was 4.16 percent as of July 1, 2024. In addition, the increasing number of districts has contributed to the total increase in local sales tax collections. The total number of districts has increased from

¹ Tax Foundation, *State and Local Sales Tax Rates, Midyear 2024*, July 2024, <<https://taxfoundation.org/data/all/state/2024-sales-tax-rates-midyear/>>, accessed April 7, 2025.

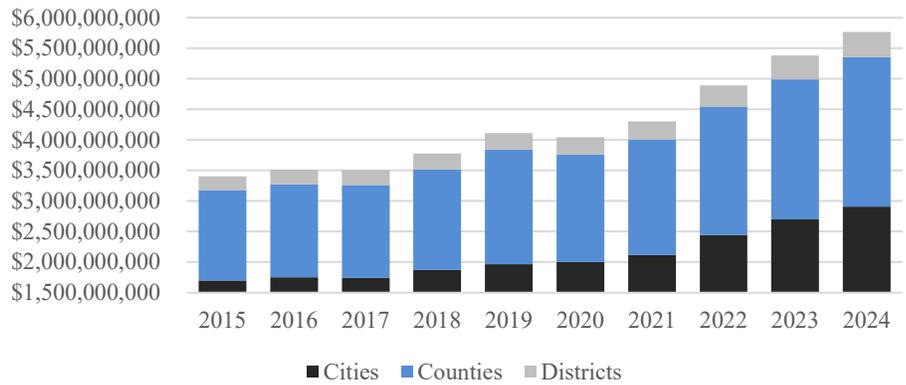


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approximately 500 in fiscal year 2015 to approximately 800 in fiscal year 2024 (60 percent increase).

Local sales and use tax collections are distributed by the DOR to cities, counties, and districts. As shown in Figure 1, and further illustrated in Figure 2, local sales and use tax collections and subsequent distributions have increased for most years between fiscal year 2015 and fiscal year 2024.²

Figure 2: Local sales and use tax distributions by political subdivision type, 2015-2024, by fiscal year



Source: DOR records. See additional detail at Appendix G.

Marijuana tax

The Missouri Constitution, Article XIV, Section 1, adopted in November 2018, made the sale of medical marijuana legal and imposed state taxes on the sale. The first licensed sales of medical marijuana began in October 2020.

The Missouri Constitution, Article XIV, Section 2, adopted in November 2022, made the sale of adult use (also known as non-medical or recreational) marijuana legal and imposed state taxes on the sale. The first licensed sales of adult use marijuana began in February 2023.

The Missouri Constitution, Article XIV, Section 2.6(5), authorizes the governing body of any local government to impose, by ordinance or order once approved by the voters of the political subdivision, an additional local sales tax on the sale of adult use marijuana sold in such political subdivision. The first additional local sales tax collections on adult use marijuana sales began in October 2023.

The marijuana taxes levied pursuant to the Missouri Constitution, Article XIV, Sections 1 and 2, are separate from, and in addition to, any general state and local sales and use taxes that apply to retail sales, which shall continue to be collected and distributed as provided by law (see previous Sales and Use Tax discussion in this section).

² For more detail on local sales and use tax distribution amounts, see Appendix G.



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The DOR administers transactions related to state marijuana taxes and local marijuana sales taxes in the following funds.

State Funds

The State Treasurer, as fund custodian, and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly for all state funds.

Missouri Veterans' Health and Care Fund: This fund, authorized by the Missouri Constitution, Article XIV, Section 1.4, receives the 4 percent tax levied on the retail sale of marijuana for medical use sold at medical marijuana dispensary facilities within the state. These tax collections are expended by the Missouri Department of Health and Senior Services (DHSS) for operating expenses to carry out its responsibilities under the Missouri Constitution, Article XIV, Section 1, and by the Missouri Veterans Commission for costs related to its various programs and services. For the fiscal year ended June 30, 2024, medical marijuana taxes totaling approximately \$8.7 million were deposited into this fund.

Veterans, Health, and Community Reinvestment Fund: This fund, authorized by the Missouri Constitution, Article XIV, Section 2.6, receives the 6 percent tax levied on the retail sale of adult use marijuana sold to consumers at marijuana facilities licensed within the state. These tax collections are expended by the DHSS for operating expenses to carry out its responsibilities under the Missouri Constitution, Article XIV, Section 2, and by government entities to carry out responsibilities for the expungement of criminal history records. The remaining balance is distributed in thirds to the DHSS, the Missouri Veterans Commission, and the Missouri State Public Defender System to be used in accordance with provisions of the Missouri Constitution, Article XIV, Section 2.6. For the fiscal year ended June 30, 2024, adult use marijuana taxes totaling approximately \$68.5 million were deposited into this fund.

Local Fund

Sales and use tax collections for the local fund are deposited into an interest-bearing bank account under the administrative control of the DOR and allocated to an investment pool until distributed.

Local Sales and Use Tax Trust Fund: This fund receives collections generated from the additional sales tax, not to exceed 3 percent, that may be imposed by local political subdivisions on the sale of adult use marijuana, as authorized by the Missouri Constitution, Article XIV, Section 2.6(5). Tax collections are subsequently distributed to the applicable cities and counties.

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Timely Sales and Use Tax Discounts

As noted in multiple previous audit reports,³ state law allows retailers to retain a portion of sales and use taxes collected if they remit the taxes to the DOR timely, resulting in the state and local governments forgoing significant revenues. Missouri's timely sales and use tax discount remains the most generous such discount in the nation, and significantly benefits the state's largest retailers. In addition, the DOR does not routinely report to the General Assembly the amount of timely sales and use tax discounts retained by businesses for its review and consideration.

Missouri's discount is the most generous in the nation

Missouri's timely sales and use tax discount is the most generous discount in the nation. Section 144.140,⁴ RSMo, allows businesses remitting sales and use taxes to retain 2 percent of sales taxes payable to the DOR if the business remits payments timely,⁵ which is defined by the due date established by the DOR. Additionally, the total discount is not capped. This resulted in \$184 million of sales and use tax collections being retained by businesses in fiscal year 2024 as their timely payment discount.

As shown in Figure 3, the amount of sales and use tax revenues Missouri has foregone as a result of the timely discount retained by businesses has totaled at least \$100 million annually since fiscal year 2015 and has increased for all years but 1 between fiscal year 2015 and fiscal year 2024. State and local sales tax revenues of approximately \$174 million and \$184 million were collected from purchasers, but retained as discounts by businesses remitting sales and use taxes in fiscal years 2023 and 2024, respectively.

³ Report No. 2025-013, *Sales, Use, and Marijuana Taxes*, issued in March 2025; Report No. 2023-040, *Sales and Use Tax*, issued in August 2023; Report No. 2022-037, *Sales and Use Tax*, issued in June 2022; Report No. 2021-074, *Sales and Use Tax*, issued in September 2021; Report No. 2020-041, *Sales and Use Tax*, issued in August 2020; Report No. 2019-067, *Sales and Use Tax*, issued in August 2019; Report No. 2017-113, *Cost of Tax Incentives and Exemptions*, issued in October 2017; Report No. 2015-080, *Sales and Use Tax*, issued in September 2015; and Report No. 2013-015, *Sales and Use Tax*, issued in February 2013.

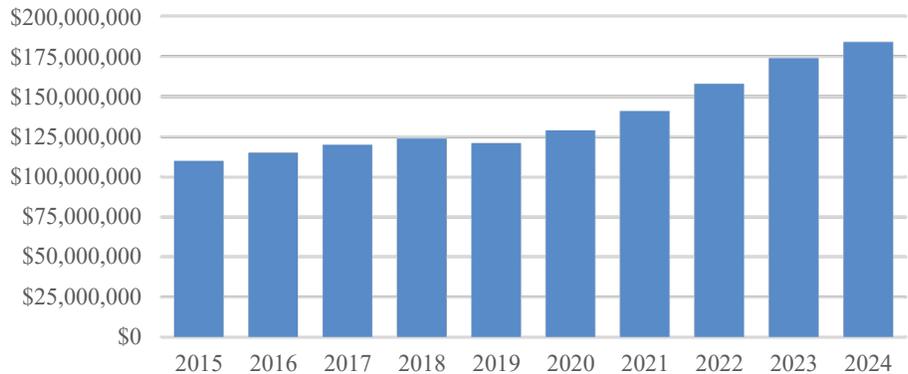
⁴ Effective January 1, 2023, Section 144.710, RSMo, was repealed and the discount authorized in that section was added to Section 144.140, RSMo.

⁵ Pursuant to 12 Code of State Regulation (CSR) 10-104.030(3)(C), if filing annually, applicable taxes are due by January 31 of the following year; if filing quarterly, applicable taxes are due the last day of the month following the completed quarter; and if filing monthly, applicable taxes are due the last day of the following month. Pursuant to 12 CSR 10-104.030(3)(H), if filing quarter-monthly, applicable taxes are due within 3 business days following the completed quarter-monthly period.



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Figure 3: Timely discount totals, 2015-2024, by fiscal year⁶



Source: DOR records

In fiscal year 2024, sales and use taxes comprised approximately 22 percent of Missouri's general revenue. With sales and use tax revenues being used to fund significant portions of state and local government budgets, such large discounts can have a significant impact on programs and services offered by government entities.

As shown in Appendix H, other states may allow a higher percentage discount than Missouri's 2 percent, but these other states cap their discount, unlike Missouri. According to Avalara,⁷ 27 other states offer similar vendor discounts; however, 18 of those states have established ceilings to limit the amount of discount retained by businesses. In addition, the other 9 states either have a lower discount rate than Missouri or only apply the highest discount rate to a limited dollar amount of sales tax collected (e.g., the first \$3,000, then a lower rate applies).

To further illustrate how the different state discounts impact the amount retained by a business, in Appendix H we have applied a simple scenario to each state, calculated what the monthly discount would be, and adjusted the monthly discount for any cap or limit, if applicable. Using the scenario of a vendor with monthly taxable sales of \$1,500,000 and a sales tax liability of \$100,000, who files their tax returns electronically, our comparison shows a vendor in Missouri would receive the highest timely discount of any state at \$2,000 per month.

⁶ Timely discount totals included in Figure 3 are as of June 30 for each fiscal year; however, adjustments can be made to these amounts in subsequent years for various reasons, such as amended tax returns or audited tax returns.

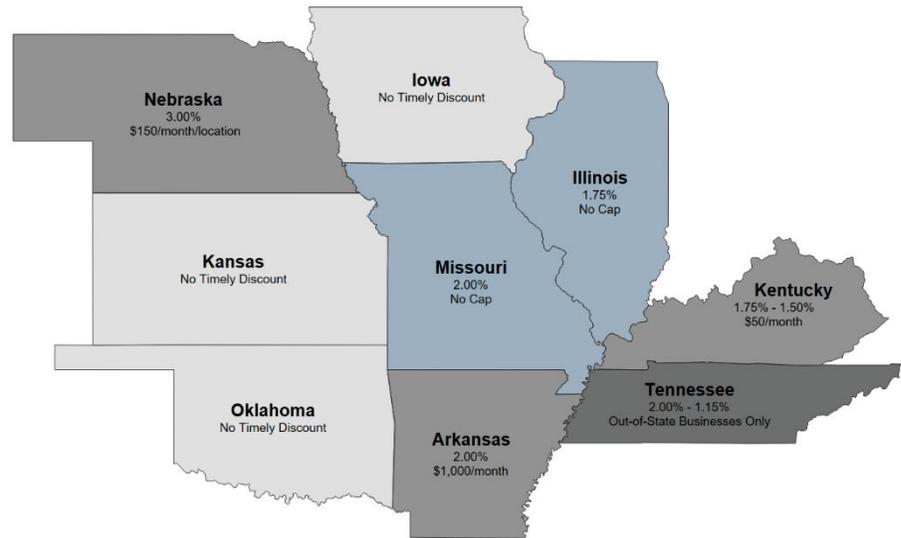
⁷ Avalara, *Vendor Discounts for Filing Sales Tax on Time, a State-by-State Guide*, March 24, 2025, <<https://www.avalara.com/blog/en/north-america/2021/10/vendor-discounts-for-filing-sales-tax-on-time.html>>, accessed November 7, 2025.



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Of the eight states contiguous to Missouri, three (Iowa, Oklahoma, and Kansas) do not allow businesses to retain any sales tax receipts for timely payments, and three (Kentucky, Arkansas, and Nebraska) allow discounts based on a percentage of taxes, but have established ceilings. These ceilings range from a low of \$50 per month per business to a high of \$1,000 per month per business. Tennessee allows a discount for only those out-of-state businesses that are not required by law to register for sales and use tax, but do so voluntarily.⁸ Illinois, like Missouri, allows a discount without a cap, but has a lower discount than Missouri.⁹

Figure 4: Sales tax discounts in surrounding states



Cap on discount would result in increased revenue

Changing state law to include a monthly cap on the amount of timely discounts eligible to be retained would significantly increase state and local revenues. For example, Arkansas's timely discount rate is also 2 percent, but Arkansas has a cap of \$1,000 for each month included in the tax report filed. Applying Arkansas's cap of \$1,000 per month (the largest cap of contiguous states) to Missouri would have resulted in approximately \$112.0 million in additional state and local sales tax revenue during fiscal year 2024.

In fiscal year 2024, 2,892 sales tax filers received timely discounts in excess of \$1,000 in at least 1 month during the year. This is an increase of 42 filers from fiscal year 2023 and 269 filers from fiscal year 2022. Limiting these 2,892 filers to Arkansas's \$1,000 monthly cap would have resulted in an additional \$56.4 million in state sales tax revenue and \$55.6 million in local sales tax revenue in fiscal year 2024.

⁸ Effective July 1, 2024, Tennessee no longer allows a discount for in-state vendors.

⁹ Effective January 1, 2025, Illinois established a cap of \$1,000 per month.



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Cap on discount would only impact the state's largest retailers

In fiscal year 2024, the 50 largest sales tax collecting businesses retained approximately 58 percent of timely discounts exceeding \$1,000, with the top 5 largest sales tax collecting businesses receiving a total of \$29 million in discounts. A monthly timely discount cap of \$1,000 would not affect the majority of sales tax filers. Based on the state's average sales tax rate of 8.39 percent,¹⁰ only businesses with monthly taxable sales of approximately \$596,000 would have their timely discount capped. Retailers with less than \$596,000 in monthly taxable sales would continue to receive the full 2 percent timely discount.

The state established the timely sales tax discount so businesses could recover a portion of their costs for compliance with state sales tax laws and to encourage timely remittance of sales and use taxes. The current state law for the timely sales tax discount has been in effect since 1963¹¹ when calculating and remitting sales taxes was primarily performed manually. With widespread use of electronic systems to calculate and remit sales tax collections, it is not clear if the continued use of such a discount, as currently constructed, is necessary to achieve these objectives.¹²

Other states have taken action to change timely discount laws

Other states are reviewing their timely discount structure and making changes to reduce the amount of sales and use tax revenues retained by businesses. For example, effective July 2024, Tennessee's timely discount no longer applies to in-state businesses. In addition, effective January 2025, Illinois established a cap of \$1,000 per month on the timely discount amount, and Louisiana's cap of \$1,500 per month decreased to \$750 per month.

Amounts of timely discounts are not routinely reported

The DOR is not required to report, and does not routinely report, the amount of timely discounts retained by businesses to the General Assembly, local governments impacted, or the general public. DOR officials have stated this data is provided upon request. This information could be useful to the General Assembly when making various budget decisions and ensuring the state and local policymakers and the general public are informed of the ongoing cost of these discounts.

Recommendation

The General Assembly evaluate the benefit of continuing a timely sales tax discount. If such a discount is deemed beneficial to the State, consider possible reductions to the timely payment discount, the implementation of a monthly cap on the amount of discount retained, and changes to current state

¹⁰Tax Foundation, *State and Local Sales Tax Rates, Midyear 2024*, July 2024, <<https://taxfoundation.org/data/all/state/2024-sales-tax-rates-midyear/>>, accessed April 7, 2025. Calculation regarding the estimated monthly taxable sales was based on this estimated average sales tax rate.

¹¹ Minor revisions were made to the timely sales tax discount state law in 2023.

¹² Missouri Budget Project, *Timely Filing Discount Costs Missourians Millions*, October 18, 2016, <<http://www.mobudget.org/timely-filing-discount/>>, accessed March 31, 2025.



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laws to require the DOR annually report the reduction of state revenue related to the timely discount to the General Assembly, applicable political subdivisions, and general public.

Auditee's Response

Due to this recommendation being legislative in nature, no management response can be obtained.

Department of Revenue

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Organization and Statistical Information

The Department of Revenue (DOR) was created by the Missouri Constitution, Article IV, Section 12, as the central collection agency for state revenues. The Missouri Constitution, Article IV, Section 15, establishes the DOR as the custodian of nonstate funds, which are defined as taxes and fees imposed by political subdivisions and collected by the DOR; all taxes that are imposed by the state, collected by the DOR and distributed by the DOR to political subdivisions; and other money designated as "nonstate funds." The Director of Revenue is appointed by the Governor, with the advice and consent of the Senate, and is responsible for all operations and policies. DOR responsibilities include:

1. Administering and collecting state taxes and fees, including sales and use tax, motor vehicle sales tax, and medical and adult use marijuana tax.
2. Collecting certain taxes and fees for local governments, including local sales and use tax.
3. Titling and licensing motor vehicles, trailers, and boats.
4. Licensing motor vehicle operators.

The DOR consists of 4 divisions and the Director's office.

Motor Vehicle and Driver Licensing Division: This division collects motor vehicle sales and use taxes and consists of 4 bureaus. (1) The Motor Vehicle Bureau issues titles and registers motor vehicles, trailers, all-terrain vehicles, manufactured homes, and marine craft. The bureau also issues registration certificates to motor vehicle and salvage dealers and leasing companies. (2) The Driver License Bureau issues, renews, suspends, revokes, and reinstates driver and nondriver licenses and driving permits. The bureau processes and maintains records relating to license issuance, traffic violation point assessments, failure to appear in court for traffic violations, and administers administrative alcohol and abuse and lose laws for alcohol/drug offenders. (3) The License Offices Bureau manages contract compliance for the contracted license offices throughout the state. These local offices provide driver licensing and motor vehicle services to Missourians and are operated by individuals or businesses approved through the state of Missouri bid process. (4) The Compliance and Investigation Bureau conducts investigations involving allegations of fraud relating to motor vehicle sales tax, titling and registration, odometer, and motor fuel sales tax as well as cigarette tax fraud, driver's license fraud and license plate fraud. The bureau also ensures the compliance of motor vehicle dealers, salvage businesses, and marine dealers with statutes and licensure regulations. In addition to external investigations, the bureau conducts internal audits and investigations of the DOR and license offices.



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Organization and Statistical Information

Taxation Division: This division consists of 7 bureaus that collect taxes and administer state tax law. (1) The Processing Bureau processes returns and payments for individual income, corporate income, property tax credit, sales, use, medical marijuana, adult use marijuana, employer withholding, insurance, financial institution tax, and tire and lead-acid battery fees. This bureau also processes business tax registration applications, business tax account updates, MyTax portal communications, and handles tax-related cashiering functions. (2) The Income Tax Bureau administers individual, corporate, property tax credit, fiduciary, and partnership taxes. This bureau's functions include manually reviewing exceptions, processing incoming correspondence, returned refunds and returned mail, answering correspondence, responding to protests, and identification of non-filers and under-reporters for income tax. The bureau is also responsible for the administration of several tax credit programs and the redemption of tax credits claimed by individual and corporate taxpayers. This bureau also identifies and works to prevent individual income tax fraud. (3) The Business Tax Bureau administers motor fuel, cigarette and other tobacco products, financial institutions, sales and use, medical marijuana, adult use marijuana, and employer withholding taxes, along with multiple county fees, and tire and battery fees. Administrative functions include answering correspondence, processing sales and use tax exemptions, responding to protests, and distribution of funds to both state and local jurisdictions. (4) The Collections and Taxpayer Assistance Bureau provides tax assistance to individuals and businesses and follows procedures for unpaid tax liabilities. This bureau is comprised of 3 main areas of focus: call center, taxpayer assistance, and collections enforcement. The overall focus is account resolution and customer assistance. (5) The Field Compliance Bureau conducts audits to help educate Missouri businesses on their sales, consumer use, vendor use, employer withholding, and corporate income taxes, in addition to tire and battery fee obligations. The bureau also conducts audits of certain large sales and use tax refund claims. The Nexus section within the bureau identifies taxpayers who have not complied with the business tax laws of Missouri and works with those taxpayers to become compliant. (6) The System Support and Electronic Services Bureau maintains the electronic interfaces between Missouri taxpayers, taxpayer representatives, and software developers. This bureau also handles the system administration functions for several internal and contracted applications. (7) The Compliance Tax Investigation Bureau investigates and develops information leading to local prosecution of individuals and businesses suspected of violating state statutes related to sales, withholding, and income tax.

Administration Division: This division provides administrative support to all other areas of the DOR and consists of 3 bureaus. (1) The Financial Services Bureau provides fiscal services to the DOR and other governmental agencies in the areas of finance, accounting, depositing and cashiering of state and non-state revenues, and investing and collateralizing nonstate revenue collections.



Department of Revenue
Sales, Use, and Marijuana Taxes
Organization and Statistical Information

The bureau also provides support in the areas of procurement and child support contract oversight. (2) The General Services Bureau provides support in the areas of mail processing, archiving, office supply inventory management, vehicle pool maintenance, delivery services, record destruction, license office inventory management and distribution, voice and data line moves and installations, and facility leasing. (3) The Internal Audit and Compliance Bureau performs audits and reviews of the DOR to evaluate the effectiveness of internal controls, ensure compliance with procedures and certain contractual and statutory provisions, and to identify areas of improvement in operational efficiency.

General Counsel's Office Division: This division ensures the DOR's compliance with law and internal policies, advises the director and divisions on legal matters relative to the DOR, and represents the DOR in courts and administrative tribunals.

Director's Office: This office includes the Director, Deputy Director, and key administrative staff responsible for the overall guidance and direction of the DOR. The office includes the Technical Communications Office, the Legislative Office, and the Human Resources Bureau. The Technical Communications Office develops and maintains department forms, policies, and procedures. The office also maintains the public and internal website. The Legislative Office serves as the DOR's liaison to the General Assembly. The office provides technical assistance, develops fiscal and revenue estimates on proposed legislation, and monitors the progress of bills through the Legislature. The Human Resources Bureau provides support in the areas of human resources initiatives, payroll process, policy, employment law guidance, recruitment, and team member professional development.

Trish Vincent was appointed Director of Revenue on January 13, 2025.

Appendix A

Department of Revenue
 Sales, Use, and Marijuana Taxes
 Combined Statement of Sales, Use, and Marijuana Tax Receipts and Distributions - State Funds
 Year Ended June 30, 2024

	General Revenue Fund	Aviation Trust Fund	Conservation Commission Fund	State Highways and Transportation Department Fund	Parks Sales Tax Fund	School District Trust Fund	Soil and Water Sales Tax Fund	State Road Bond Fund	State Road Fund	State Transportation Fund	Missouri Veterans' Health and Care Fund	Veterans, Health, and Community Reinvestment Fund	Total (Memorandum Only)
Receipts													
Marine/ATV/Manufactured sales and use tax	\$ 11,913,695	0	487,664	0	195,065	3,900,192	195,067	0	0	0	0	0	16,691,683
Motor vehicle sales and use tax	5,947,504	0	18,387,766	76,046	7,355,111	73,540,115	7,355,112	220,620,345	214,756,146	5,883,209	0	0	553,921,354
Sales and use tax	3,139,828,532	6,106,148	152,981,397	0	61,188,368	1,221,058,344	61,188,393	8,181,860	7,963,782	218,171	0	0	4,658,714,995
Medical marijuana tax	0	0	0	0	0	0	0	0	0	0	8,707,000	0	8,707,000
Adult use marijuana tax	0	0	0	0	0	0	0	0	0	0	0	68,541,813	68,541,813
Total Receipts	3,157,689,731	6,106,148	171,856,827	76,046	68,738,544	1,298,498,651	68,738,572	228,802,205	222,719,928	6,101,380	8,707,000	68,541,813	5,306,576,845
Distributions													
Transmitted to State Treasurer	3,157,689,731	6,106,148	171,856,827	76,046	68,738,544	1,298,498,651	68,738,572	228,802,205	222,719,928	6,101,380	8,707,000	68,541,813	5,306,576,845
Total Distributions	3,157,689,731	6,106,148	171,856,827	76,046	68,738,544	1,298,498,651	68,738,572	228,802,205	222,719,928	6,101,380	8,707,000	68,541,813	5,306,576,845
Receipts Over (Under) Distributions	\$ 0	0	0	0	0	0	0	0	0	0	0	0	0

Source: DOR records

Appendix B

Department of Revenue

Sales, Use, and Marijuana Taxes

Combined Statement of Sales and Use Tax Receipts, Distributions, and Changes in Cash and Investments - Local Funds

Year Ended June 30, 2024

	Local Fuel Tax and Bond Trust Fund	Local Sales and Use Tax Trust Fund ¹	Total (Memorandum Only)
Receipts			
Motor fuel taxes and fees	\$ 296,262,021	0	296,262,021
Sales tax	73,540,114	4,889,843,925	4,963,384,039
Use tax	6,337	534,057,167	534,063,504
Miscellaneous tax ²	0	(92,035,147)	(92,035,147)
Motor fuel pool bond	12,789	0	12,789
Interest income	820,363	26,485,074	27,305,437
Total Receipts	370,641,624	5,358,351,019	5,728,992,643
Distributions			
Political subdivisions	381,327,517	5,366,769,259	5,748,096,776
General Revenue Fund	0	51,924,538	51,924,538
Refunds to taxpayers ³	0	(174)	(174)
Total Distributions	381,327,517	5,418,693,623	5,800,021,140
Receipts Over (Under) Distributions	(10,685,893)	(60,342,604)	(71,028,497)
Interest Transfers			
Interest transfers from:			
Non-state funds	135,474	738,123	873,597
Total Transfers	135,474	738,123	873,597
Receipts Over (Under) Distributions and Transfers	(10,550,419)	(59,604,481)	(70,154,900)
Cash and Investments, July 1	78,057,090	762,123,145	840,180,235
Cash and Investments, June 30	\$ 67,506,671	702,518,664	770,025,335

¹ This fund includes local sales taxes from adult use marijuana sales.

² Negative receipts are due to more sales and use taxes distributed from than deposited to the Suspense Holding Account.

³ Negative distributions are due to the timing of adjustments for coding corrections.

Source: DOR records

Appendix C

Department of Revenue

Sales, Use, and Marijuana Taxes

Combined Statement of Sales and Use Tax Additions, Deductions, and Changes in Cash and Investments - Custodial Accounts

Year Ended June 30, 2024

	Motor Vehicle Clearing Account ¹	Sales Tax Bond Account ²	Total (Memorandum Only)
Additions			
License office collections	\$ 1,410,580,336	0	1,410,580,336
Bond collections net of forfeitures ³	0	(316,256)	(316,256)
Interest income	3,177,902	0	3,177,902
Total Additions	1,413,758,238	(316,256)	1,413,441,982
Deductions			
Motor vehicle sales tax and interest-local funds	618,673,567	0	618,673,567
Motor vehicle sales tax and interest-state funds	803,762,361	0	803,762,361
Refunds to taxpayers	4,528,390	0	4,528,390
Bonds and interest	0	1,411,989	1,411,989
Total Deductions	1,426,964,318	1,411,989	1,428,376,307
Additions Over (Under) Deductions	(13,206,080)	(1,728,245)	(14,934,325)
Cash and Investments, July 1 ⁴	63,724,075	3,586,473	67,310,548
Cash and Investments, June 30	\$ 50,517,995	1,858,228	52,376,223

¹ Held by the department in trust.

² Held within the General Revenue Fund, which is in the custody of the State Treasurer.

³ Additions are negative due to bond forfeitures exceeding bond collections.

⁴ The July 1 balance has been restated for the Sales Tax Bond Account.

Source: DOR records

Appendix D

Department of Revenue
 Sales, Use, and Marijuana Taxes
 Combined Statement of Sales and Use Tax Distributions - Local Funds
 Year Ended June 30, 2024

	Local Fuel Tax and Bond Trust Fund	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund ¹	St. Louis Capital Improvements Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund ²	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Cities ³	\$ 213,878,925	919,919,129	1,009,970,191	45,182,823	363,798,233	357,599,092	0	0	0	2,910,348,393
Counties ³	167,448,477	0	0	0	265,072,338	159,315,276	622,744,488	1,228,425,901	0	2,443,006,480
Districts: ³										
Ambulance Districts	0	0	0	0	0	0	0	0	86,230,795	86,230,795
Emergency Service Districts	0	0	0	0	0	0	0	0	25,310,760	25,310,760
Fire Protection Districts	0	0	0	0	0	0	0	0	32,059,869	32,059,869
Hospital Districts	0	0	0	0	0	0	0	0	844,533	844,533
Public Library Districts	0	0	0	0	0	0	0	0	2,226,045	2,226,045
Regional Jail Districts	0	0	0	0	0	0	0	0	1,511,075	1,511,075
Regional Recreation Districts	0	0	0	0	0	0	0	0	7,681	7,681
Tourism Community Districts	0	0	0	0	0	0	0	0	12,191,224	12,191,224
Zoological Districts	0	0	0	0	0	0	0	0	21,969,978	21,969,978
Transportation Development Districts	0	0	0	0	0	0	0	0	110,224,696	110,224,696
Community Improvement Districts	0	0	0	0	0	5,263,313	0	0	114,976,101	120,239,414
Port Improvement Districts	0	0	0	0	0	74,263	0	0	392,472	466,735
Total	\$ <u>381,327,402</u>	<u>919,919,129</u>	<u>1,009,970,191</u>	<u>45,182,823</u>	<u>628,870,571</u>	<u>522,251,944</u>	<u>622,744,488</u>	<u>1,228,425,901</u>	<u>407,945,229</u>	<u>5,766,637,678</u>

¹ This sales tax amount includes \$15,573,682 in local sales tax from adult use marijuana sales.

² This sales tax amount includes \$15,197,396 in local sales tax from adult use marijuana sales.

³ Local sales and use tax distributions by political subdivision are available in the Department of Revenue's annual Financial and Statistical Report. However, the Department of Revenue does not report distributions for political subdivisions with less than 6 taxpayers. For this schedule, all local sales and use tax distributions have been included in the amounts reported. The Department of Revenue's annual Financial and Statistical Report is accessible through the Department of Revenue's website at <http://www.dor.mo.gov>.

Source: DOR records

Appendix E

Department of Revenue
 Sales, Use, and Marijuana Taxes
 Comparative Statement of State and Local Sales, Use, and Marijuana Tax Collections

	Year Ended June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State Sales and Use Tax	\$ 3,430,314,960	3,588,844,184	3,659,746,431	3,742,345,985	3,786,770,305	3,848,057,504	4,191,492,838	4,598,776,211	4,875,381,055	5,307,453,545
Local Sales and Use Tax ¹	3,134,151,262	3,277,995,153	3,312,491,891	3,552,265,312	3,713,055,431	3,807,723,698	4,063,242,659	4,629,942,605	5,073,432,741	5,423,901,092
Total Sales and Use Tax Collections	<u>6,564,466,222</u>	<u>6,866,839,337</u>	<u>6,972,238,322</u>	<u>7,294,611,297</u>	<u>7,499,825,736</u>	<u>7,655,781,202</u>	<u>8,254,735,497</u>	<u>9,228,718,816</u>	<u>9,948,813,796</u>	<u>10,731,354,637</u>
State Marijuana Tax ²							2,024,672	10,778,767	36,035,800	78,029,105
Total Marijuana Tax Collections							<u>2,024,672</u>	<u>10,778,767</u>	<u>36,035,800</u>	<u>78,029,105</u>
Total Collections	\$ <u>6,564,466,222</u>	<u>6,866,839,337</u>	<u>6,972,238,322</u>	<u>7,294,611,297</u>	<u>7,499,825,736</u>	<u>7,655,781,202</u>	<u>8,256,760,169</u>	<u>9,239,497,583</u>	<u>9,984,849,596</u>	<u>10,809,383,742</u>

¹ For the fiscal year ended June 30, 2024, this amount includes \$31,082,907 in local sales tax from adult use marijuana sales. Collection of this local sales tax began in October 2023.

² Collection of state medical marijuana tax began in October 2020 and collection of state adult use marijuana tax began in March 2023.

Source: DOR annual reports

Appendix F

Department of Revenue
Sales, Use, and Marijuana Taxes

Comparative Statement of State and Local Sales, Use, and Marijuana Tax Collections - Adjusted for Inflation

	Year Ended June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State Sales and Use Tax	\$ 4,486,891,995	4,663,266,113	4,668,541,816	4,668,932,862	4,628,732,661	4,630,256,461	4,930,937,238	5,047,888,444	5,036,651,546	5,307,453,545
Local Sales and Use Tax ¹	4,099,506,423	4,259,355,640	4,225,567,864	4,431,789,128	4,538,627,791	4,581,723,957	4,780,061,737	5,082,098,520	5,241,254,493	5,423,901,092
Total Sales and Use Tax Collections	<u>8,586,398,418</u>	<u>8,922,621,753</u>	<u>8,894,109,680</u>	<u>9,100,721,990</u>	<u>9,167,360,452</u>	<u>9,211,980,418</u>	<u>9,710,998,975</u>	<u>10,129,986,964</u>	<u>10,277,906,039</u>	<u>10,731,354,637</u>
State Marijuana Tax ²							2,381,856	11,831,411	37,227,812	78,029,105
Total Marijuana Tax Collections							<u>2,381,856</u>	<u>11,831,411</u>	<u>37,227,812</u>	<u>78,029,105</u>
Total Collections	\$ <u>8,586,398,418</u>	<u>8,922,621,753</u>	<u>8,894,109,680</u>	<u>9,100,721,990</u>	<u>9,167,360,452</u>	<u>9,211,980,418</u>	<u>9,713,380,831</u>	<u>10,141,818,375</u>	<u>10,315,133,851</u>	<u>10,809,383,742</u>

¹ Collection of the local sales tax from adult use marijuana sales began in October 2023.

² Collection of state medical marijuana tax began in October 2020 and collection of state adult use marijuana tax began in March 2023.

Source: DOR annual reports, with inflation calculations performed by the SAO using Federal Reserve Bank of St. Louis, *Consumer Price Index for All Urban Consumers*, <<https://fred.stlouisfed.org/series/CPIAUCSL>>, accessed April 25, 2025.

Appendix G

Department of Revenue
 Sales, Use, and Marijuana Taxes
 Comparative Statement of Sales and Use Tax Distributions - Local Funds

	Year Ended June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cities	\$ 1,702,603,661	1,751,813,928	1,743,115,737	1,870,426,160	1,965,323,136	2,000,640,072	2,119,172,692	2,443,486,316	2,702,003,864	2,910,348,393
Counties	1,477,149,378	1,521,425,739	1,520,155,318	1,645,773,164	1,873,697,822	1,763,428,384	1,885,656,616	2,095,963,861	2,291,197,479	2,443,006,480
Districts										
Ambulance Districts	49,247,153	53,054,189	54,854,636	57,517,087	57,995,103	61,814,696	71,690,211	77,975,806	83,143,709	86,230,795
Emergency Service Districts	13,184,536	13,813,028	14,101,642	14,829,750	14,855,612	15,426,020	17,492,126	18,425,091	20,591,383	25,310,760
Fire Protection Districts	16,945,905	17,701,780	17,955,973	19,333,947	19,686,410	20,535,710	22,616,702	26,230,656	29,208,696	32,059,869
Hospital Districts	394,732	417,350	403,102	369,693	586,903	739,467	788,299	827,464	866,870	844,533
Public Library Districts	1,202,701	1,227,514	1,194,950	1,520,400	1,718,768	1,784,156	1,999,479	2,109,747	2,183,854	2,226,045
Regional Jail Districts	1,035,556	1,058,124	1,081,865	1,079,528	1,087,843	1,150,321	1,276,363	1,376,009	1,480,046	1,511,075
Regional Recreation Districts	5,383	3,528	4,639	13,888	14,045	8,992	10,551	8,991	12,168	7,681
Tourism Community Districts	7,936,743	8,217,319	8,127,822	8,359,606	8,393,574	8,130,751	8,439,339	11,136,379	11,376,279	12,191,224
Zoological Districts	16,515,801	17,239,588	17,131,267	17,862,598	17,824,419	17,850,125	18,300,003	20,770,102	22,166,392	21,969,978
Transportation Development Districts	71,639,918	74,911,843	74,945,567	78,091,563	79,642,576	77,416,207	77,086,334	96,648,575	105,113,777	110,224,696
Community Improvement Districts ¹	40,712,899	46,456,789	49,905,510	62,795,570	67,805,212	71,760,338	78,026,063	96,826,045	110,052,558	120,239,414
Community Development Districts	3,607,775	3,770,163	3,854,222	0	0	0	0	0	0	0
Port Improvement Districts	0	131,268	205,849	278,081	214,145	259,287	219,204	361,753	414,661	466,735
Total Local Distributions	\$ <u>3,402,182,141</u>	<u>3,511,242,150</u>	<u>3,507,038,099</u>	<u>3,778,251,035</u>	<u>4,108,845,568</u>	<u>4,040,944,526</u>	<u>4,302,773,982</u>	<u>4,892,146,795</u>	<u>5,379,811,736</u>	<u>5,766,637,678</u>

¹ In fiscal year 2018 and subsequent years, the Department of Revenue combined Community Development Districts with Community Improvement Districts.

Source: DOR records

Appendix H

Department of Revenue
Sales, Use, and Marijuana Taxes
Comparison of Sales and Use Tax Timely Discounts by State

For purposes of this comparison, a vendor filed electronically, had monthly taxable sales of \$1,500,000, and sales tax liability of \$100,000.

State	Timely Discount - Rate ¹	Timely Discount - Cap	Additional Information	Timely Discount - Monthly	Timely Discount - Adjusted for Cap
Missouri	2.00%			\$2,000	\$2,000
Illinois ²	1.75%		Vendors are allowed a discount of 1.75% or \$5 per calendar year, whichever amount is greater; required to file electronically.	\$1,750	\$1,750
Utah	1.31%		The discount is only allowed for monthly returns filed electronically.	\$1,310	\$1,310
Tennessee	2.00% - 1.15%		Effective July 1, 2024, the discount is not allowed for in-state vendors. The discount only applies to out-of-state sellers that are not required by law to register for sales and use tax, but do so voluntarily. The 2.00% discount applies to the first \$2,500 of sales tax due and 1.15% on the remainder.	\$1,171	\$1,171
Arizona	1.20%	\$12,000/year	Vendors filing paper returns can claim a rate of 1.00% (\$10,000/year max); electronic filers can claim a rate of 1.20% (\$12,000/year max).	\$1,200	\$1,000
Arkansas	2.00%	\$1,000/month		\$2,000	\$1,000
Louisiana ³	0.94%	\$1,500/month		\$940	\$940
Ohio	0.75%			\$750	\$750
Wisconsin ⁴	0.75%	\$8,000/reporting period	The discount is equal to the total sales tax if the tax due is \$0 to \$10. The discount is \$10 if the tax due is \$10 to \$1,333. The discount is 0.75% if the tax due is \$1,333 or greater, with a \$8,000/reporting period maximum.	\$750	\$750
Georgia	3.00% - 0.50%		The 3.00% discount applies to the first \$3,000 of sales tax due, and 0.50% on the remainder; must file and pay electronically.	\$575	\$575
Virginia	1.12%-0.56%		The discount rate is: 1.12% for monthly taxable sales up to \$62,500, 0.84% for taxable sales of \$62,501 to \$208,000, and 0.56% for taxable sales of \$208,001 or more. No discount allowed if the average monthly sales tax liability exceeds \$20,000.	\$560	\$560
Indiana	0.73% - 0.26%		The discount rate is 0.73% if total sales tax collected is less than \$60,000; 0.53% if sales tax collected is between \$60,000 and \$600,000; 0.26% if total sales tax collected is more than \$600,000.	\$530	\$530
Maryland	1.20% - 0.90%	\$500/return	The 1.20% discount applies to the first \$6,000 of sales tax due, 0.90% on the remaining amount due.	\$918	\$500
Michigan	0.75%	\$20,000/month	The discount applies to 2/3 of the taxes due. For monthly filers, if tax is more than \$1,200 and paid before the 12th of the month, the discount is 0.75% with a maximum of \$20,000. If tax is more than \$1,800 and paid between the 13th and 20th of the month, the discount is 0.50% with a maximum of \$15,000.	\$500	\$500
Texas	0.50%		An additional discount of 1.25% applies for early payment made by monthly and quarterly filers.	\$500	\$500
Wyoming ⁵	1.95% - 1.00%	\$500/month	The 1.95% discount applies to the first \$6,250 of sales tax due; 1.00% on the remainder.	\$1,059	\$500
Alabama	5.00% - 2.00%	\$400/month	The 5.00% discount applies to the first \$100 of sales tax due, 2.00% on all amounts over \$100.	\$2,003	\$400
South Carolina ⁶	3.00% - 2.00%	\$3,000-\$3,100/year	For total tax due less than \$100, the discount is 3.00%. The discount is reduced to 2.00% for total tax due of \$100 or more. The maximum discount is \$3,000/year for paper filers and \$3,100/year for electronic filers.	\$2,000	\$258
Nevada	0.25%			\$250	\$250
Nebraska	3.00%	\$150/month/location	The discount is allowed on the first \$5,000 of sales tax collected each month.	\$150	\$150
North Dakota	1.50%	\$110/month	Sales tax permit holders are allowed a maximum of \$110 per month while wholesalers are allowed a maximum of \$100 per month.	\$1,500	\$110
South Dakota	1.50%	\$70/month	The discount applies to electronic filers only.	\$1,500	\$70
Kentucky	1.75% - 1.50%	\$50/month	The 1.75% discount applies to the first \$1,000 of sales tax due, 1.50% on the remainder.	\$1,503	\$50
Mississippi	2.00%	\$50/month		\$2,000	\$50
Florida	2.50%	\$30/report	This discount applies only to the first \$1,200 of sales tax due, and is only available to vendors that file and pay electronically.	\$2,500	\$30

Appendix H

Department of Revenue
Sales, Use, and Marijuana Taxes
Comparison of Sales and Use Tax Timely Discounts by State

For purposes of this comparison, a vendor filed electronically, had monthly taxable sales of \$1,500,000, and sales tax liability of \$100,000.

State	Timely Discount - Rate ¹	Timely Discount - Cap	Additional Information	Timely Discount - Monthly	Timely Discount - Adjusted for Cap
Pennsylvania	1.00%	\$25/month	The discount is the lesser of \$25 or 1% of the tax collected for monthly filers; the lesser of \$75 or 1% for quarterly filers; and the lesser of \$150 or 1% for semi-annual filers.	\$1,000	\$25
Colorado ⁷	4.00%	\$1,000/filing period	Vendors whose taxable sales during the filing period exceed \$1 million are not allowed a discount.	\$0	\$0
New York	5.00%	\$200/quarter or year	The discount is not available to monthly filers.	\$0	\$0
California	None				
Connecticut	None				
Hawaii	None				
Idaho	None				
Iowa	None				
Kansas	None				
Maine	None				
Massachusetts	None				
Minnesota	None				
New Jersey	None				
New Mexico	None				
North Carolina	None				
Oklahoma	None				
Rhode Island	None				
Vermont	None				
Washington	None				
West Virginia	None				
Alaska	Not Applicable				
Delaware	Not Applicable				
Montana	Not Applicable				
New Hampshire	Not Applicable				
Oregon	Not Applicable				

¹ States indicated as "None" have a state sales tax, but do not allow for a timely discount. States indicated as "Not Applicable" do not have a state sales tax.

² Effective January 1, 2025, a timely discount cap of \$1,000 was established.

³ Effective January 1, 2025, the timely discount cap decreases to \$750 per month.

⁴ Prior to October 1, 2023, the discount was equal to the total sales tax if the tax due was \$0 to \$10. The discount was \$10 if the tax due was \$10 to \$2,000. The discount was 0.50% if the tax due was \$2,000 or greater, with a \$1,000/reporting period maximum.

⁵ Effective July 1, 2024, the discount is equal to 1.95% of the total tax due if the return and payment is postmarked by the 15th of the month the tax is due. The discount is capped at \$500 per reporting period.

⁶ Out-of-state sellers not required by law to collect state sales and use tax, but who do so voluntarily, are allowed a maximum discount of \$10,000 per fiscal year.

⁷ Monthly discount amounts were not included in our analysis as the taxable sales in the scenario exceeded \$1,000,000.

Source: SAO compilation of information from Avalara, *Vendor Discounts for Filing Sales Tax on Time, a State-by-State Guide*, March 24, 2025, <<https://www.avalara.com/blog/en/north-america/2021/10/vendor-discounts-for-filing-sales-tax-on-time.html>>, accessed November 7, 2025; and review of various state department websites.