

Timely Filing Discount Costs Missourians Millions

Although Missouri struggles every year to adequately fund our schools, roads, and other services that provide the foundation for our state’s economic growth, it offers some of the most generous tax benefits in the nation to corporations. For example, Missouri’s **“Timely Filing Discount”** allows retailers to retain a portion of the sales and use taxes they collect from customers if they remit those taxes to the state in a timely manner. This “vendor discount” is the second most generous in the country, and **cost Missourians \$114 million in 2016**. Bringing this discount in line with other states would allow our state to make much needed investments in Missourians that would strengthen our quality of life and economic competitiveness.

Through Missouri’s Timely Filing Discount, retailers that remit sales and use taxes in a timely manner are allowed to retain two percent of the taxes collected. The discount was established at a time when companies had to manually calculate and remit sales taxes to state and local governments. However, automation has minimized the amount of time and staffing required for this function, reducing the costs for companies. **But while the cost for retailers has decreased, the size of Missouri’s vendor discount has not.**

As a result, Missouri provides a discount that is well beyond what most other states provide.

- Only 28 of the 45 states and the District of Columbia that have sales taxes provide “vendor discounts,” which range from 0.5 percent to five percent of the tax collected.
- Moreover, **sixteen of those states have capped the dollar amount retailers can retain,**

from a low of \$50 per month to a high of \$10,000 per year.

- In fact, with the exception of only Colorado, all states that have higher vendor discount rates than Missouri either cap the total dollar amount that companies can retain, or apply the higher rate to a limited dollar amount. For example, Georgia provides a three percent vendor discount, but only to the first \$3,000 of sales tax collected.

As a result, **Missouri’s uncapped timely filing discount of two percent is more generous than all other states except Colorado.**¹ As shown in the following table, Missouri is out of pace with all neighboring states. Three of Missouri’s neighbors do not provide vendor discounts, and the others have capped the amount of the discount.

State	Vendor Discount Rate	Maximum/Minimum
ARKANSAS	2.0%	\$1,000/month (max)
ILLINOIS	1.75%	\$5/year (min)
IOWA	None	
KANSAS	None	
KENTUCKY	1.75%-1.5% ²	\$50/month (max)
MISSOURI	2.0%	
NEBRASKA	2.5%	\$75/month (max)
OKLAHOMA	1.0%	2,500/month (max)
TENNESSEE	None	

The cost for Missouri’s generosity is high.

According to the Missouri Department of Revenue, the **timely filing discount for retailers cost Missouri \$114 million in 2016.**³ This amount alone would fill the current gap in Missouri’s Foundation Formula, which distributes state funding to local schools. Even simply capping the amount of the timely filing discount to a more reasonable level, as other states have done, would allow Missouri to make much needed investments in public services.

Further, in addition to the timely filing discount for retailers, **Missouri is the only state that provides an additional payment to companies for filing employee withholding tax on time.**

The “timely filing discount” for employers cost Missouri \$29 million in 2016.⁴ The percentage of withholding that employers can retain is based on a sliding scale;

- Two percent of the first five thousand dollars;
- One percent of amount collected in excess of five thousand dollars and up to and including ten thousand dollars; and
- One-half percent of amount collected in excess of ten thousand dollars.⁵

It is time to modernize Missouri’s tax code in recognition of long ago changed automation making it simpler for businesses to comply.

ENDNOTES

- 1 Data from the Federation of State Tax Administrators; Colorado’s vendor discount rate is uncapped at 3.333%, the highest in the nation
- 2 In Kentucky, the larger discounts apply to the first \$1,000
- 3 Data from the Missouri Department of Revenue; the cost in Fiscal Year 2016 of Missouri’s Timely Filing Discount for retailers was \$114,694,801
- 4 Data from the Missouri Department of Revenue; the cost in Fiscal Year 2016 of Missouri’s Timely Filing Discount for employers was \$29,144,239
- 5 <http://www.moga.mo.gov/mostatutes/stathtml/14300002611.html>