

Week of May 25, 2009



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State Tax Refunds on the Way

Like many Missouri taxpayers, you and other residents of the 31st Senatorial District may be wondering why your state tax refund check is taking so long to arrive. With tax day a month and a half behind us, the delay is troubling, especially for those who filed their taxes well before the April 15 deadline.

As you have probably heard, the mailing of state refund checks has been on hold because Missouri, like most other states, has been experiencing cash flow problems as a result of decreased revenue. Without this anticipated revenue, the state has not had the cash on hand to pay out millions of dollars in tax returns.

During these difficult times, I know many Missourians are depending on their refunds to pay bills and other necessary expenses. Just as the state has been forced to operate without expected revenue and could not pay some of its expenses immediately, so are many Missouri households. Because everything is connected, the cyclical nature of an economic downturn can be very difficult to break.

However, there is good news. Last week, the Office of Administration announced that the state has transferred some of the federal stimulus money designated for budget stabilization into the general revenue fund, which will allow the state to begin sending out the delayed checks to taxpayers. Approximately \$250 million has been set aside to speed up the payment process of any currently pending 2008 individual income tax refunds. The added funding will allow the state to pay for all of the awaited refunds, and checks should be arriving soon. The Department of Revenue hopes to have most refund checks mailed out by June 5 to those who filed before the deadline.

As of mid-May, there were nearly 500,000 pending refunds amounting to nearly \$263

million. Approximately 1.4 million returns have already been paid, which cost the state more than \$619 million. Still, this delay is not an extraordinary circumstance. Though from 2006 to 2008 the state's cash flow allowed for all refunds to be paid as they were processed, you may remember that from 2002 to 2005, some state tax refunds were also delayed.

Lawmakers can take away an important lesson from all of this by understanding that there is a need for even greater fiscal responsibility in our state. Fortunately, Missouri is in a better financial position than most states because we have lived within our means in recent years, but there is always room for improvement. After next year, the federal stimulus money will run out and the bill will come due at the expense of taxpayers across the nation. Here in Missouri, we can draw from these experiences to help gauge what spending is essential and what can be saved to prepare ourselves for the next rainy day.

As always, please feel free to contact me or my staff with any questions or concerns at any time. We look forward to hearing your comments and suggestions and trying to answer any questions you may have. You can reach us by phone at 866-277-0882 (toll-free) or 573-751-2272, or by fax at 573-526-7381.

Senator David Pearce serves Bates, Cass, Johnson and Vernon counties in the 31st State Senate District.

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