

**REPORT  
OF THE  
SENATE INTERIM COMMITTEE  
ON  
TAX ADMINISTRATION PRACTICES**



**October 29, 2014**

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October 29, 2014

The Honorable Tom Dempsey, President Pro Tem of the Senate  
State Capitol Building, Room 326  
Jefferson City, MO 65101

Dear Mr. President:

The Senate Interim Committee on Tax Administration Practices has met, taken testimony, deliberated, and concluded its study on tax administration issues in Missouri. The undersigned members of the Panel are pleased to submit the attached report.



Senator Will Kraus, Chair



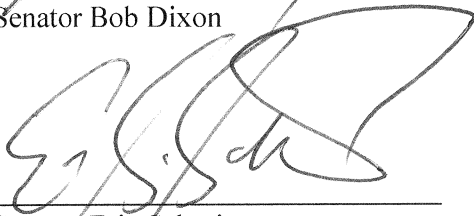
Senator Wayne Wallingford, Vice Chair



Senator Bob Dixon



Senator Ed Emery



Senator Eric Schmitt



Senator Scott Sifton



Senator Paul LeVota

## TABLE OF CONTENTS

I.	CHARGE OF THE PANEL	4
II.	PANEL ACTIVITIES	4
	A. Summary of July 17 <sup>th</sup> Meeting	4
	B. Summary of August 12 <sup>th</sup> Meeting	7
	C. Summary of September 3 <sup>rd</sup> Meeting	9
	D. Summary of September 9 <sup>th</sup> Meeting	11
III.	RECOMMENDATIONS	13
	A. Requiring the promulgation of a rule before a tax interpretation is enforced	14
	B. Requiring Senate confirmation of any person exercising the powers of Director of Revenue	14
	C. Updating the Taxpayer's Bill of Rights	14
	D. Revamp the Joint Committee on Tax Policy	14
	E. Creating a Subcommittee to the Joint Committee on Tax Policy to examine the tax code	14
	F. Clarifying what is "recreation or amusement" in sales tax law	14
	G. Creating a review process for Department of Revenue auditors	15
	H. Requiring the Department of Revenue to update its website with changes in tax law interpretation	15
	I. Providing notice by letter or email to taxpayers of changes in tax law interpretation	15
	J. Formation of an advisory committee within the Department of Revenue to communicate with political subdivision	15
	K. Converting the Office of Taxpayers' Ombudsman to an independent taxpayer advocate	15
	L. Recommending the Department of Revenue to immediately Re-establish regional Taxpayer Assistance Offices	15

## I. Charge of the Panel

Pursuant to Article III, Section 22 of the Missouri Constitution, Senate President Pro Tem Tom Dempsey established the Senate Interim Committee on Tax Administration Practices. The committee was charged with investigating the process and policy used by the Missouri Department of Revenue to interpret, enact, and enforce tax statutes and uncover any potential conflicts or inconsistencies in the administration of tax law.

## II. Panel Activities

The President Pro Tem of the Senate appointed Senator Will Kraus, Senator Wayne Wallingford, Senator Bob Dixon, Senator Ed Emery, and Senator Eric Schmitt, Senator Scott Sifton, and Senator Paul LeVota to the committee. Senator Will Kraus was selected as the chair and Senator Wayne Wallingford as the Vice Chair.

Over the course of several weeks, the Senate Interim Committee on Tax Administration Practices held public hearings, solicited public testimony, and developed recommendations. Hearings were held on the following dates:

- July 17, 2014 – Delta Woods Middle School, Lee’s Summit
- August 12, 2014 – St. Louis Community College Corporate Campus, Bridgeton
- September 3, 2014 – Springfield Area Chamber of Commerce, Springfield
- September 9, 2014 – State Capitol Building, Jefferson City

### A. Summary of July 17<sup>th</sup> Meeting – Lee’s Summit

#### 1) Edward Heilman and Thomas Roszack - Ace Imagewear

Mr. Heilman owns Ace Imagewear which is a uniform and fabric supply company. Ace Imagewear is a third generation, family owned business located in Kansas City. Mr. Roszack is legal counsel for Ace Imagewear. Ace Imagewear owns various types of textile materials, rents them out to customers, and periodically picks up the textiles for laundering. The company was audited by the Department of Revenue approximately three years ago. The audit took over a year to complete. Upon completion of the audit, the Department determined that sales tax should have been paid on the supplies used in the laundering process. ACE Imagewear was assessed three years of back taxes as well as penalties and interest. Mr. Heilman questioned why prior audits of similar companies did not require this sales tax to be paid. Mr. Roszack discussed the business environment in the Kansas City metropolitan area and the impact of Kansas’s aggressive efforts to lure businesses to their state. Businesses in Missouri that are paying the sales tax are at a competitive disadvantage to noncompliant businesses in Missouri and businesses in Kansas who are not required to pay the tax under Kansas law.

Mr. Roszack gave a brief history of the sales tax on supplies used in manufacturing and processing. Based on the Missouri Supreme Court case *Unitog Rental Services v. Director of Revenue*, laundry facilities could not utilize the manufacturing sales tax exemption in Section

144.030 of the Revised Statutes of Missouri. Then in 2007, Section 144.054 was enacted which created a sales tax exemption for materials and chemicals used in manufacturing or processing goods. Ace Imagewear took the position that this new statute was intended to exempt laundries. The Department took the contrary position and the issue was eventually decided by the Missouri Supreme Court. Ace Imagewear argued that the new statute added new language such as “chemicals” and “processing” and was intended to be broader than the original manufacturing exemption. The court eventually ruled against applying the exemption to laundries.

Mr. Roszack discussed how taxing the chemicals, detergents, and equipment used in a commercial laundry may result in double taxation since the laundries also charge sales tax on their rentals to customers. Ace Imagewear may be able to take advantage of an exemption in Section 144.020 which exempts rentals of tangible personal property from sales tax if sales tax was previously paid on the property.

## 2) Bill Kartsonis – Superior Linen Supply Company

Mr. Kartsonis is the President of Superior Linen Supply Company which is located in Kansas City. Superior Linen provides sanitary fabrics for hospitals and restaurants and launders the fabrics periodically for the renters. Superior Linen is facing similar issues with sales tax on commercial laundries as Ace Imagewear is facing. The accountant for Superior Linen has advised that it may be worthwhile to change their business model to utilize the same statute mentioned by Mr. Roszack. Sales tax would then be paid on all purchases of consumables used in the laundry process and no longer be collected on the rentals. Such a change would require proper education of customers. The base price of rentals would need to be raised but the total price would be approximately the same since no tax would be charged on the rentals. Currently, Superior Linen collects around \$400,000 in sales taxes on their rentals. Changing their business model as the account has suggested would result in the business collecting approximately \$80,000 sales tax. Mr. Kartsonis questioned the reasoning of the Department of Revenue in enforcing sales tax on the consumables used in the laundering process if such a change would result in less tax revenue for the state.

Mr. Kartsonis also advocated for the override of SB 612 from the 2014 legislative session. This bill required notification of any changes in the way sales taxes are collected. He argued that such a requirement would help put business owners on notice and prevent large assessments of back taxes.

## 3) Charles Jensen – Stinson Leonard Street, LLP

Mr. Jensen is a private attorney in Kansas City specializing in tax matters. His testimony focused on the stacking of tax assessments against the members of limited liability companies. Generally, the members of a LLC have limited liability. However, in tax cases all the members of the LLC are treated as general partners and thus lose their limited liability for tax issues. Whenever taxes have failed to be turned over to the Department of Revenue, the Department may seek the delinquent taxes from either the assets of the company or from each of the members individually. Mr. Jensen has advocated for a change in statute so that members of the LLC are only personally liable for delinquent taxes if they have some form of involvement in the

operations of the company. Such a change would prevent the investors from being personally liable in the same manner as a limited partner to a partnership.

4) Dianna Pfaff and Kristy Mesh – Miss Dianna’s School of Dance

Ms. Pfaff is the owner of a dance school in Kansas City. Ms. Mesh is an accountant for the school. Miss Dianna’s School of Dance was audited by the Department of Revenue for the years of 2007 to 2011. Subsequent to the audit, the school was assessed \$73,000 in back sales taxes and \$14,500 in interest and penalties. Ms. Pfaff believed that her dance school was educational and thus not subject to sales tax. The Department has taken the position that the dance school is a place of amusement, entertainment, or recreation and thus subject to sales tax. Ms. Pfaff has appealed to the Administrative Hearing Commission but has voluntarily started collecting sales tax while the issue is still in dispute. Ms. Pfaff stated that her school is the only one she knows of collecting sales tax.

5) Bill Gamble – City of Kansas City

Mr. Gamble testified on behalf of the City of Kansas City in response to comments about several tax bills passed late in the 2014 legislative session that were subsequently vetoed by the Governor. The city has taken no official position on the bills and is waiting to find out all the facts and fiscal impacts before taking a position.

6) T. J. Rehak – Extreme Gymnastics

Mr. Rehak is the owner of a gymnastics facility in Lee’s Summit. The Department of Revenue completed an audit of Extreme in October of 2012. The Department determined that the gym should have been collected sales tax as a place of amusement, recreation, or entertainment and assessed the gym \$220,000 in back taxes. Extreme started collecting the sales tax in February of 2013. Mr. Rehak claims that Extreme was a test case for the Department and so the Department was unwilling to settle the case. Being required to collect sales tax has hurt his business since he has both raised his prices to help pay for the back taxes as well as being required to charge a sales tax which they weren’t required to collect before. Before the audit, Mr. Rehak was considering expanding his business but those plans have been indefinitely postponed.

7) Sheri Dillion – Rebound Gymnastics

Ms. Dillion owns a gymnastics facility in Blue Springs. Although her business has not been audited by the Department of Revenue, they have begun collecting sales tax. She is worried that if her business is audited for back sales taxes, they would go out of business since they do not have cash reserves to cover such costs. Ms. Dillion argued that gymnastics facilities are more educational than recreational since the students are being taught a skill that is often used to obtain scholarships for college. In her contact with the Department of Revenue, Ms. Dillion stated that she received conflicting answers regarding the taxation of gyms.

8) Richard Sheets – Missouri Municipal League

Mr. Sheets testified in response to comments about several tax bills passed late in the 2014 legislative session that were subsequently vetoed by the Governor. The member cities of the Municipal League are concerned about the sales tax exemptions and expansions. The numbers are confusing and there are discrepancies between the Governor's office and the Fiscal Oversight Division of the Committee on Legislative Research. Mr. Sheets has advised his members to attempt to calculate the fiscal impact to their city using their own staff. While the Municipal League has supported certain sales tax exemptions in the past, most of these recently passed exemptions do not contain any of the job or investment requirements of the exemptions they previously supported. The member cities are concerned about continuing to provide their municipal services and meet bonding commitments if their revenues are reduced by the exemptions.

9) Chuck Pierce – Missouri Society of CPAs

Mr. Pierce is the government relations consultant for the Missouri Society of Certified Public Accountants. In response to the formation of the committee, he has solicited the members of the organization for input that would be valuable to the committee. He will compile that information and submit it to the committee. Mr. Pierce made several comments in response to earlier testimony. The audit process is long and a three year audit is typical. Many small businesses have in-house accounting for sales taxes and are often unaware of changes in the law either through legislative action or judicial decision. The regional Department of Revenue offices can vary greatly in what and how they audit. The Department has a tendency to log roll issues such that once they make a determination that one type of industry is subject to tax, they will audit many businesses in that industry.

Mr. Pierce commented on recent legislation that shifted the burden of proof for tax exemptions. Such legislation would level the playing field and remove the Department of Revenue's incentive to not settle cases. Mr. Pierce stated that while he understands the political reality of omnibus legislation, he is not in favor of such bills as they increase the risk of error and increase the likelihood that individuals will find something they don't like in the bill. He mentioned that the Department of Revenue should be better engaged with taxpayers and that sales tax exemptions are the most complicated part of tax law.

B. Summary of August 12<sup>th</sup> meeting – Bridgeton

The panel heard testimony from the following people:

1) Michael Rathbone – Show-Me Institute

Mr. Rathbone is a policy researcher for the Show-Me Institute. He testified that tax policy and administration should follow the three principles of simplicity, consistency, and equity. There have been inconsistencies in what is considered a taxable service. Court rulings can change what is considered taxable and the legislature should act to ensure that its intent is

being followed. Creation of tax credits and tax exemptions for certain business should be avoided because they have the effect of reducing the tax base and favoring some businesses over others.

Mr. Rathbone also testified that all businesses should be taxed the same. The creation of the business income deduction for pass-through businesses puts them at an advantage over C-Corporations. Also, the commercial surcharge on property taxes should be rolled back similarly to other property taxes.

Property assessments are inconsistent across the state. Some counties require the filing of a Certificate of Value after the sale of real estate. This practice should be done in all counties. Land and improvements should also be valued separately and not as one parcel. Agricultural land is assessed below market value. Agricultural land should be assessed at a higher value to lessen the amount of suburban and urban tax revenue being used in rural areas.

The authority of special taxing districts to impose tax increases should be vested in elected officials and voters, not with the property owners inside the district.

## 2) Heather and Nick Terry – Flipside Too Gym

Heather Terry is the owner of a gym offering competitive cheer, tumbling, and dance instructions. The business was audited in November of 2011 for the years of 2006 to 2011. After the audit, the Department of Revenue determined that the business should have been collecting sales tax on the amounts charged for lessons. Ms. Terry testified that no other gyms in the area collect the sales tax which has put them in a competitive disadvantage. When Ms. Terry originally started her business, she was told by the Department that she did not need to collect the sales tax.

The original findings of the audit assessed taxes on pass through income such as collecting money from clients to send on to uniform companies where no income is earned by the business. This resulted in a much higher back tax assessment than what was actually due. After much deliberation with the Department, the Department backed off this position.

When the business began collecting the sales tax, some clients became upset with the added charge. Clients contacted the Department and were told by the Department that the business shouldn't be collecting the sales tax. This contradicted what the Department had been telling Ms. Terry. Ms. Terry also received conflicting answers from the City of Crystal City and the Department of Revenue as to what rate of tax should be applied.



C. Summary of the September 3<sup>rd</sup> meeting – Springfield

The panel heard testimony from the following people:

1) Robert Stephens – Mayor of the City of Springfield

Mr. Stephens testified that the city's sales tax revenues were subject to large fluctuations in the amounts received by the city month to month. He would like to see the fluctuations smoothed out so that the city can better budget its finances.

2) Mary Mannix Decker – Director of Finance for the City of Springfield

Ms. Decker first testified about the fluctuations in deposits of sales tax revenues. The Missouri Department of Revenue collects all sales taxes and then remits back to the political subdivision the portion that is due to them. Around 55% of the City of Springfield's budget is funded by revenue from sales and use tax. A one percent variance in the amount remitted to the city is around \$400,000. Ms. Decker believes that processing delays by the Department of Revenue may be causing the fluctuations in sales tax revenues for the city. Department of Revenue reports would show that in one month it appeared that a business did not submit any sales tax revenues and the next month would have an amount around twice that business's normal submission. The city on its own tracked the top 100 tax payers in the city. An analysis of this data showed that the businesses were consistently turning in their sales tax revenues, but receipts from the Department of Revenue did not always match up exactly.

Ms. Decker's also testified about the negative impacts of the closure of the Springfield regional office of the Department of Revenue. Before the closure, the time required to receive a taxpayer identification number was around one week. Now it ranges from three weeks to eight weeks. Before the closure, a taxpayer could walk into the regional office and receive personal service. Now the taxpayer must call the Jefferson City office where hold times can be very long, up to three hours.

Ms. Decker's last testimony focused on collection of delinquent sales tax. The Department of Revenue only shares a list of delinquent taxpayers but will not disclose how much each taxpayer is delinquent. The City on its own cannot get an injunction to force a delinquent business to cease operations.

3) Eric Latimer – MO State Council of Firefighters and Southern MO Professional Firefighters

Mr. Latimer testified that fluctuations in city budgets can have a negative effect on public safety because many departments such as police and fire protection also depend on sales tax revenue.

4) Craig Fishel – Fishel Pools

Mr. Fishel is the owner of Fishel Pools. Mr. Fishel discussed the issues he had with his most recent sales tax audit by the Department of Revenue. In the three audits prior to the most

recent audit, he had no issues. The most recent audit was far more arduous. At one point, the auditor presented Mr. Fishel with an incomplete audit reflecting an amount due of \$40,000. Mr. Fishel was given the option of signing the audit and paying the amount due or finishing the audit and arguing for a lower amount. In reviewing the audit, Mr. Fishel agreed that some sales tax was due and paid part of the amount due to avoid having a tax lien filed against the business. Tax liens are often published in the paper and Mr. Fishel wanted to avoid the bad publicity.

The auditor often refused to answer questions and made many incorrect assumptions regarding Mr. Fishel's business without taking the time to understand and inquire about the business. The auditor did not take into account that some of the clients were tax exempt entities.

#### 5) Noah Alldredge – Big Time Results

Mr. Alldredge is the owner of Big Time Results, which is a personal training fitness facility located in Springfield. Mr. Alldredge was unaware that their facility was subject to sales tax until an audit assessed them with \$90,000 in back taxes owed. Mr. Alldredge eventually settled with the Department of Revenue for \$6,000 and the agreement to begin collecting the tax. Mr. Alldredge stated that many other gyms are unaware of the sales tax requirement and that the Department of Revenue has had inconsistent positions on the matter across the state.

#### 6) Johnny Williams – Gym Owner

Mr. Williams owns a gym in the Springfield area. His business has not yet been audited by the Department of Revenue. He has met with other area gym owners and states that there is much confusion as to what is and is not taxable. The owners want to abide by the law, but they are unsure of what to follow. Mr. Williams also stated that taxing fitness is counterproductive in light of the rising healthcare costs.

#### 7) Paul Lawrence – Certified Public Accountant

Mr. Lawrence operates a small accounting firm that specializes in small business accounting. He discussed some of the issues he has had with the Department of Revenue. When dealing with the Department, Mr. Lawrence had problems with getting to talk to a supervisor. During audits, the Department has asked for Mr. Lawrence's quickbook files, although the law only requires the source documents to be turned over. The Department has sent out notices of delinquent use taxes to people who haven't filed a use tax return and the amount delinquent appears arbitrary. In a situation dealing with the taxation of gratuity, a tax auditor did not believe him when he stated that the restaurant does not automatically add gratuity for large groups.

#### 8) Frank Carnahan – Attorney

Mr. Carnahan is an attorney in the Springfield area. He has noticed a decrease in the quality of customer service by the Department of Revenue over the last eight to ten years. Most taxpayers want to comply with the law but have a hard time understanding it. The ever changing landscape of tax law through new statutes and court interpretations makes compliance difficult.

Mr. Carnahan also described some issues with the Department of Revenue. The Department sometimes incorrectly refers to married income tax returns as joint returns when they are actually combined returns. This can become an issue in divorces since joint returns have joint and several liability. Also, the repayment plans for delinquent taxes are typically on a twenty-four month schedule. The Department needs to be more flexible to fit the taxpayer's needs. The Department could use more employees and more training to more adequately and fairly administer taxes.

9) B.J. Richardson – Attorney

Mr. Richardson has a client involved in a dispute with the Department of Revenue over delinquent taxes. The client is a restaurant owner that took over a lease on a space that was previously rented to another restaurant. The previous restaurant closed and had delinquent taxes. The Department assessed the delinquent taxes against the new restaurant under successor liability. The new restaurant's only ties to the previous restaurant were reuse of the tables and chairs. The client missed the time to file an appeal with the Administrative Hearing Commission and thus had little recourse to avoid paying the delinquent taxes. The restaurant currently cannot get a business license because of the delinquent taxes assessed against the business. However, the business was able to get a liquor license with a finding of no taxes due. It was unclear why the licensing entities had different positions on whether the business owed delinquent taxes.

10) Steve Strobel – Gym Owner and Certified Public Accountant

Mr. Strobel is the owner of Dynamics Gymnastics in Springfield and Pinnacle Consulting. He discussed the difficulties in complying with sales tax law when other gyms receive confidential settlements. When other decisions are confidential, it is hard to know how the law is being applied. Mr. Strobel also discussed how gyms that charge sales tax are not only losing clients to other gyms that don't charge the tax, but also to other sports that are not required to collect sales tax.

D. Summary of the September 9<sup>th</sup> meeting – Jefferson City

The panel heard testimony from the following people:

1) Larry Helms – MO Association of RV Parks and Campgrounds

There has been some inconsistency in what is deemed recreation for sales tax purposes. Mr. Helms testified that this needs to be clarified to give business some certainty. Currently, it is hard to determine what level of amenities makes a non-taxable campground into a taxable recreation location. Mr. Helms would also like to see the Department of Revenue notify taxpayers of any changes in tax law.

2) Daniel Smith – Director of Finance for the City of Creve Coeur

The City of Creve Coeur relies heavily on sales tax so the administration of the tax is very important. Mr. Smith stressed that communication by the Department of Revenue with political subdivisions needs to be improved. More information needs to be provided to cities, such as access to databases of businesses with retail licenses. Mr. Smith also mentioned that erroneously collected sales tax goes back to the company that collected, resulting in a windfall for the company. He did not identify a solution but wondered if there was a way to make the money available for public good since returning it to the taxpayer that paid the tax would be difficult.

3) Roger Haynes – Director of Finance for the City of Mexico

Mr. Haynes discussed the difficulties of cities in collecting delinquent taxes. Some business will shift owners to get a new taxpayer identification number and thus avoid the delinquent taxes. The Department of Revenue needs to question the business transfer to make sure it is truly a new business and not a continuation of the former business that had delinquent taxes.

4) John Mollenkamp – Acting Director of the Department of Revenue  
Todd Iveson – Director of the Taxation Division of the Department of Revenue

Mr. Mollenkamp began his testimony by providing some background information on the Department. The Department performs around 2000 audits of businesses per year. Approximately \$30 million in back taxes are collected each year as a result of audits. The Department has 98 auditors and 20 supervisors. The decision of when to force a business with delinquent taxes to cease operations is a difficult one to make. The need to provide a deterrent against businesses becoming delinquent on taxes must be balanced with ability for a business to stay in operation so it may pay off its debts.

The Department is currently phasing in a new process of selecting audits. The old system allowed auditors to select which audits to perform based on experience and a set of criteria. The new system is based on an analysis of which types of audits will provide the best taxpayer correction of either overpayments or delinquent taxes.

Missouri has around 140,000 businesses that collect sales tax. Sales tax audits are very difficult because they are transaction based and each transaction must be analyzed. Whether sales tax should be charged depends on the situation and is very fact specific.

Interpretations of tax law are made by a consensus of the divisions. Where no consensus can be reached, the Director of the Department makes the final decision. The Department may make legal conclusions without a letter ruling. Letter rulings are generally only issued upon request of a taxpayer. The letter ruling will only be binding on the Department with respect to that taxpayer. The Department updates its Code of State Regulations in accordance with the statutory schedule.

Taxpayers sometimes complain about what appear to be inconsistent audit determinations. What appears to be an inconsistency on the surface may not be inconsistent when analyzing the issue closely. Determinations of successor liability are very fact specific. Certain facts such as sale of a business or retaining equipment tend to indicate successor liability.

The Department of Revenue audit process begins when the taxpayer is notified of an impending audit. The auditor will then have an initial meeting with the taxpayer to discuss the paperwork that will be needed by the auditor. The auditor will review documents either on site or through electronic records. A determination will be made by the auditor as to what is taxable, and this list will be discussed with the taxpayer. If there is a determination of delinquent taxes and the parties agree, a payment plan is negotiated. If the parties disagree, the case moves to the Administrative Hearing Commission.

The Department has a training program for new auditors. New auditors must pass a one year probation period. The Department has an auditor training manual as well as webinars on specific issues. New auditors are usually assigned to small businesses which are usually smaller audits. Finalized audits are reviewed by the supervisor, audit manager, and an audit reviewer in Jefferson City. The Department has a weekly issues meeting involving various divisions.

Educating the public about what is taxable can be very difficult. It is hard to determine which businesses are affected by which court cases or statute changes. In cases where the Department determines that the taxpayer had no idea they should have been collecting a tax, the Department has entered into agreements with taxpayers to apply the taxes prospectively.

The Department has ceased auditing instructional studios in light of recent legislation that would change how sales tax is applied to this industry.

5) Ray McCarty – Associated Industries of Missouri

Mr. McCarty stated that it is the role of the legislature to keep the Department of Revenue in check. The recent tax legislation passed by the legislature and vetoed by the Governor helped to provide clarity to tax law. Businesses are busy and don't always have the time to constantly check for changes to tax law.

6) Tracy King – Missouri Chamber of Commerce and Industry

Ms. King thanked the committee for their hard work in analyzing how tax laws are applied in Missouri.

### III. Recommendations

The Senate Interim Committee on Tax Administration Practices recommends the following issues be considered during the 2015 legislative session:

A. Requiring the promulgation of a rule before a tax interpretation is enforced

When an interpretation of tax law based on the decision of the Director of Revenue, the Administrative Hearing Commission, or a court of competent jurisdiction changes which items of tangible personal property or services are taxable, the Department of Revenue should promulgate a rule in accordance with Chapter 536 of the Revised Statutes of Missouri before such interpretation is enforced. The tax may then only be applied prospectively from the effective date of the rule.

B. Requiring Senate confirmation of any person exercising the powers of Director of Revenue

Before any person may exercise the powers of Director of Revenue, such person should be appointed by the Governor and confirmed by the Senate in accordance with the procedures of Article IV, Section 51 of the Missouri Constitution.

C. Updating the Taxpayer's Bill of Rights

The Missouri Taxpayer's Bill of Rights should be amended to make clear the right of taxpayers to fair and consistent application of state tax laws by the Department of Revenue.

D. Revamp the Joint Committee on Tax Policy

The joint committee should be tasked with providing oversight over the Department of Revenue. The committee should hold annual meetings to review the operations of the Department, including progress in improving taxpayer services and compliance as well as protecting taxpayer rights. The committee should also look into legislative solutions to addresses any potential problem areas. The committee should be expanded to seven members from each chamber for a total of fourteen members.

E. Creating a Subcommittee to the Joint Committee on Tax Policy to examine the tax code

A subcommittee to the Joint Committee on Tax Policy should be formed to examine Missouri's tax system and identify its strengths and weaknesses. Improvements to the tax system should be made to modernize the system, maximize economic development, and maintain necessary government services at an appropriate level. The subcommittee should provide the legislature with regular reports on its findings as well as any recommendation for legislation.

F. Clarifying what is "recreation or amusement" in sales tax law

The legislature should develop legislation that provides a clear definition for what taxable services are to be considered places of recreation or amusement under sales tax law.

G. Creating a review process for Department of Revenue auditors

A review process for Department of Revenue audits should be created so that Missouri's tax laws are applied uniformly across the state. The Department should promulgate a rule outlining the review process.

H. Requiring the Department of Revenue to update its website with changes in tax law interpretation

The Department of Revenue should regularly update its website so that the public is aware of common taxpayer mistakes uncovered in audits. The website should also be updated with policy or tax law interpretation changes by the Department.

I. Providing notice by letter or email to taxpayers of changes in tax law interpretation

The Department of Revenue should be required to send a letter or email to businesses when there is a change in a tax law or the way the law is interpreted and such change or interpretation affects that business.

J. Formation of an advisory committee within the Department of Revenue to communicate with political subdivisions

The Department of Revenue, in conjunction with the Missouri Municipal League and the Missouri Association of Counties, should form an advisory committee so cities and counties may communicate with the Department about issues regarding tax collection and disbursement.

K. Converting the Office of Taxpayers' Ombudsman to an independent taxpayer advocate

The Office of Taxpayers' Ombudsman should be eliminated and replaced with an independent taxpayer advocate outside the Department of Revenue. The advocate should submit annual reports to the General Assembly. Such reports should include any recommendations for changes in the state tax laws. The advocate should not be subject to review by any executive branch official. Specific statutory powers should be granted to the taxpayer advocate to allow assistance to individual taxpayers.

L. Recommending the Department of Revenue to immediately re-establish regional Taxpayer Assistance Offices

The Department of Revenue should be recommended to immediately re-establish regional Taxpayer Assistance Offices throughout the state in metropolitan areas that previously contained a regional office.