



Joseph M. Centorino, Inspector General

April 6, 2021

TO: Honorable Mayor and Members of the City Commission
FROM: Joseph M. Centorino, Inspector General

PROJECT Resort Tax Audit Activities Summary
OIG No. 21-21
PERIOD: October 1, 2020 through March 31, 2021

Within the Office of the Inspector General's Audit Division are Tax Auditors that verify registered businesses' compliance with the City Code's Resort Tax provisions. They conduct audits of annual filers, e.g., apartment buildings, that typically remit little or no resort taxes to the City due to the frequency of exemptions for continuous residencies exceeding six (6) months, and monthly filers, e.g., hotels, nightclubs and restaurants, which have frequent daily transactions for which resort taxes are due to the City. Annual filers are required to file once per year for the period of May through April by May 20th (adjusted for weekends and holidays), while monthly filers must file each month prior to or on the twentieth (adjusted for weekends and holidays). The objective of these audits is to determine whether registered taxpayers have accurately reported their revenues and timely remitted any taxes due.

There are currently more than 1,800 Resort Tax accounts, which is comprised of approximately 1,000 annual filers and 800 monthly filers. As the annual filers are expected to remit little or no resort taxes, our primary focus is to conduct audits of monthly filers. However, we do routinely conduct audits of annual filers that concentrate primarily on determining whether tested apartment building tenants satisfy the requirement of City Code Section 102-308(3) that there be a continuous length of residency for longer than six months to be exempt from taxation. A greater emphasis have been placed on annual filers recently due to their large volume and since many have not been audited in years.

Although the Office of the Inspector General determines the assessment (if any) based on its audit, it is not involved thereafter in the collection phase, which is subject to further consideration, following referral to the Finance Department, leading to adjustment, appeal, settlement or other resolution involving other City processes and agencies. This process helps achieve a proper segregation of duties between those performing the audit and those enforcing the assessment.

It should be noted that assessments are not always paid timely, and may result in liens being imposed by the City on local properties owned by the delinquent taxpayers or corporate officers,

which can remain in effect for up to twenty (20) years. Any collected assessments represent additional revenues to the City that would not have been received if these audits had not been performed.

In addition, City Code Section 102-311(6) states *“If any operator charged in this section fails or refuses to make his records available for inspection so that no audit or examination has been made of the books and records of such operator or person, fails or refuses to register as an operator, or fails to make a report and pay the tax as provided by this division, or makes a grossly incorrect report, or makes a report that is false or fraudulent, it shall be the duty of the city to make an assessment from an estimate based upon the best information then available to it for the taxable period of sales or rentals, together with interest, plus penalty, if such have accrued, as the case may be. Then the city shall proceed to collect such taxes, interest and penalty on the basis of such assessment, which shall be considered prima facie correct; and the burden to show the contrary shall rest with the operator.”* These estimated assessments are only levied when the taxpayer has opted not to cooperate after repeated attempts and/or has not maintained the required supporting documentation. If the taxpayer subsequently provides the required records, the assigned Tax Auditor will review the provided new information and revise the estimated assessment as needed. Conversely, some taxpayers pay the estimated assessments, or they may not be refuted and are final.

In sum, Tax Auditors have completed a total of 87 audits between October 1, 2020 and March 31, 2021 with net assessments levied of \$1,045,559.29. The following points provide a more specific breakdown, separated by annual and monthly filers, of the number of completed audits and their corresponding assessments:

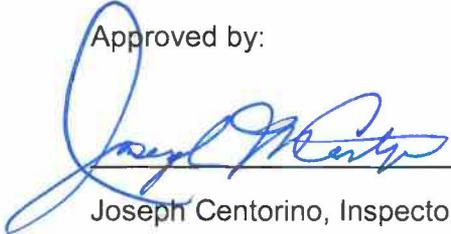
- A. Annual Filers – 41 audits completed with assessments totaling \$103,024.50
 - 1. Three taxpayers did not provide the requested records which resulted in estimated assessments totaling \$86,820.50
 - 2. 24 audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted
 - 3. 14 audits resulted in assessments levied ranging from a low of \$264.48 to a high of \$2,095.10 and totaling \$16,204.00

- B. Monthly Filers – 46 audits completed with assessments totaling \$942,534.79
 - 1. Nine taxpayers did not provide the requested records which resulted in estimated assessments totaling \$465,971.77
 - 2. 13 audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted
 - 3. 24 audits resulted in assessments levied ranging from a low of \$138.21 to a high of \$243,649.44 and totaling \$476,563.02

Lastly, we wanted to highlight that one of our estimated assessments, levied against a noncomplying taxpayer from the 2019/20 fiscal year, who recently responded to the OIG and provided the needed documentation/information, which enabled the assigned Tax Auditor, John Benincasa, to complete the audit. After a lengthy but cooperative audit process, an agreement was reached whereby the taxpayer agreed to an assessment of \$243,649.44. Upon requesting

a reduction in the interest and penalties charged as negotiated by the Finance Department, the taxpayer remitted \$226,172.39 to the City on February 24, 2021 in satisfaction of the audit. To our knowledge, this payment represents the second largest Resort Tax audit assessment collected, behind only the \$628,136.00 assessment paid by a taxpayer in September 2014.

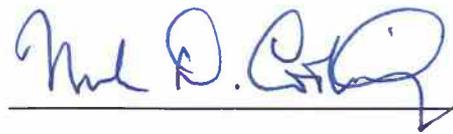
Approved by:



Joseph Centorino, Inspector General

04/06/2021
Date

Completed by:



Mark Coolidge, Chief Auditor

04-06-2021
Date

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