



**Joseph M. Centorino**, Inspector General

October 4, 2021

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

PROJECT Resort Tax Audit Activities Summary  
OIG No. 21-36  
PERIOD: April 1, 2021 through September 30, 2021

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The Office of the Inspector General's Audit Division includes four Resort Tax Auditors who verify compliance by registered taxpayer businesses 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 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 20<sup>th</sup> (adjusted for weekends and holidays), while monthly filers must file each month prior to or on the twentieth of the following month (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.

The Finance Department determined that there were 3,934 active Resort Tax accounts as of September 27, 2021, which was comprised of 947 annual filers and 2,987 monthly filers. The number of monthly accounts has increased significantly due to a rise in short-term rentals.

As the annual filers are expected to remit a much smaller amount in resort taxes, the OIG is primarily focused on conducting audits of monthly filers. The audits of annual filers that are performed concentrate 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 qualify for exemption from the resort tax provisions.

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 conducted following referral to the Finance Department, and may lead 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 an 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 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 78 audits between April 1, 2021 and September 30, 2021 with net assessments levied of \$510,911.46. 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 – 35 audits completed with assessments totaling \$68,801.01
  - 1. Three taxpayers did not provide the requested records, which resulted in estimated assessments totaling \$50,988.97
  - 2. 16 audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted
  - 3. 16 audits resulted in assessments levied ranging from a low of \$218.04 to a high of \$5,966.59 and totaling \$17,812.04
  
- B. Monthly Filers – 43 audits completed with assessments totaling \$442,110.45
  - 1. Three taxpayers did not provide the requested records which resulted in estimated assessments totaling \$173,278.31
  - 2. Thirteen audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted
  - 3. 27 audits resulted in assessments levied ranging from a low of \$161.99 to a high of \$46,159.92 and totaling \$268,832.14

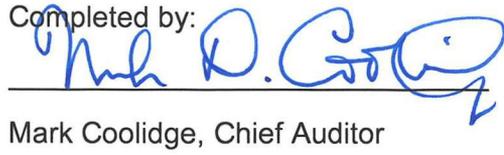
Finally, two audits that were completed prior to March 31, 2021, were re-opened, as the taxpayers provided additional records or information that had not been furnished prior to the audit’s initial completion date. As a result, these two audits’ assessments were reduced by \$154,269.32. In total, the Office of Inspector General’s Tax Auditors completed 165 Resort Tax audits with assessments levied of \$1,402,201.43 during the October 1, 2020 through September 30, 2021 fiscal year.

Approved by:

  
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Joseph Centorino, Inspector General

10/4/2021  
Date

Completed by:

  
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Mark Coolidge, Chief Auditor

10-04-2021  
Date

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