



Joseph M. Centorino, Inspector General

October 5, 2020

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

PROJECT Resort Tax Audit Activities Summary
OIG No. 21-01

PERIOD: April 1, 2020 through September 30, 2020 including 2019/20 Fiscal Year Final
Totals

Within the Office of the Inspector General's Audit Division are Tax Auditors that verify compliance by registered businesses with Resort Tax provisions in the City Code. They conduct audits of both annual and monthly filers. Annual filers, e.g., apartment buildings, typically remit little or no resort taxes to the City due to the frequency of residencies exceeding six (6) months. Monthly filers, e.g., hotels, nightclubs and restaurants, have frequent daily transactions in which resort taxes are owed 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, 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, concentrating 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 (6) months to be exempt from taxation. A greater emphasis has been placed on annual filers recently due to their large volume and because many have not been audited in years.

Although the Office of the Inspector General determines the amount of an assessment (if any) based on its audit, it is not involved thereafter in the collection phase, which is subject to further consideration, adjustment, appeal, settlement or other resolution involving other City processes and agencies. This arrangement allows for a proper segregation of collection activity from audit activity.

Assessments that are not always paid timely paid 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 base on the audits represent additional revenues to the City that would not have been received if these audits had not been performed.

Estimated assessment may be made pursuant to City Code Section 102-311(6) which 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 with the resort tax audit unit after repeated attempts, 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. Taxpayers may pay the estimated assessments or revised assessments based on their providing pertinent records or other information to support the revisions. Those who do not pay and who fail to refute the assessments may be subject to collection action for the full assessments, as well as non-renewal of their Business Tax Receipts.

Tax Auditors have been respectful of taxpayer's requests for time extensions due to Covid-19. In addition, penalties and interest are not being charged on any assessments levied for the months of March 2020 through November 2020 as directed by the City Commission.

Given these facts, Tax Auditors have completed a total of 47 audits for the six-month period of April 1, 2020 through September 30, 2020 with assessments levied in the amount of \$313,148.33. 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 – 19 audits completed with assessments totaling \$65,798.14
 - 1. One taxpayer did not provide records which resulted in an estimated assessment of \$22,949.59.
 - 2. Nine audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted.
 - 3. Nine audits resulted in assessments levied ranging from a low of \$377.52 to a high of \$36,793.62.

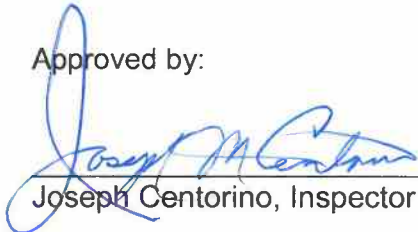
- B. Monthly Filers – 28 audits completed with assessments totaling \$247,350.19

1. Adequate records were received for all these completed audits as no estimated assessments were levied.
2. Fourteen (14) audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted.
3. Fourteen (14) audits resulted in assessments levied ranging from a low of \$1,259.81 to a high of \$105,792.09.

Finally, three audits that were completed prior to March 31, 2020 were re-opened as the taxpayers provided additional records that were not furnished prior to the audit's initial completion date. As a result of this new information, these three audits' assessments were reduced by \$106,940.25.

In total, the Office of Inspector General's Tax Auditors completed 105 Resort Tax audits with assessments levied of \$1,044,934.14 during the October 1, 2019 through September 30, 2020 fiscal year.

Approved by:



Joseph Centorino, Inspector General

10/06/2020
Date

Completed by:



Mark Coolidge, Chief Auditor

10-06-2020
Date