



Joseph M. Centorino, Inspector General

October 3, 2022

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

PROJECT Resort Tax Audit Activities Summary
OIG No. 22-19
PERIOD: April 1, 2022 through September 30, 2022

Within the Office of the Inspector General's Audit Division are Tax Auditors that verify registered businesses' compliance with the Resort Tax provisions in the City Code. They conduct audits of both annual filers and monthly filers. Annual filers, e.g., apartment buildings, often remit little or no resort taxes to the City due to the frequency of exemptions for continuous residencies exceeding six months. Monthly filers, e.g., hotels, short-term rentals, nightclubs, and restaurants, 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 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 4,060 active Resort Tax accounts as of June 30, 2022, comprised of 936 annual filers and 3,124 monthly filers. The number of monthly accounts continues to increase due to short-term rentals.

The OIG's primary focus is to conduct audits of monthly filers. Audits of annual filers concentrate primarily on determining whether tested filers satisfy City Code Section 102-308(3), which requires that there be a continuous length of residency for longer than six months to be exempt from taxation.

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 follows referral of the OIG's assessment to the Finance Department, and which may lead to adjustment, appeal, settlement or other resolution. This separation allows for 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 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 with the OIG after repeated attempts and/or has not provided the required supporting documentation to the OIG. If, following the estimated assessment, the taxpayer subsequently provides the required records, the assigned Tax Auditor will examine the new information and may revise the estimated assessment. Some taxpayers elect to pay the estimated assessments and others decide not to refute them, rendering them final.

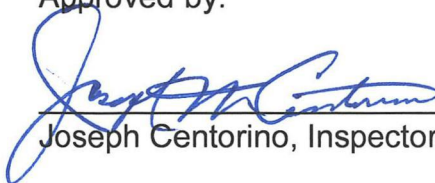
In sum, Tax Auditors have completed a total of 72 audits between April 1, 2022 and September 30, 2022 with net assessments levied of \$669,721.75. The following points provide a more specific breakdown, separated by annual and monthly filers, of the number of completed audits and the corresponding assessments:

- A. Annual Filers – 31 audits completed with assessments totaling \$232,695.25
 - 1. Six taxpayers did not provide sufficient records after multiple requests which resulted in estimated assessments totaling \$147,894.73
 - 2. Twelve audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted
 - 3. Thirteen audits resulted in assessments levied ranging from a low of \$288.73 to a high of \$40,015.44, totaling \$84,800.52

- B. Monthly Filers – 41 audits completed with assessments totaling \$437,026.50
 - 1. Three taxpayers did not provide sufficient records after multiple requests which resulted in estimated assessments totaling \$74,773.50
 - 2. Eleven audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted
 - 3. Twenty-seven audits resulted in assessments levied ranging from a low of \$199.99 to a high of \$59,927.87, totaling \$362,253.00

Finally, four audits completed prior to March 31, 2021, were re-opened, as the taxpayers provided additional records or information not furnished prior to the audit's initial completion date. As a result, these four audits' assessments were reduced by \$277,432.19. In total, the Office of Inspector General's Tax Auditors completed 158 Resort Tax audits with assessments levied of \$1,866,519.34 during the October 1, 2021 through September 30, 2022 fiscal year.

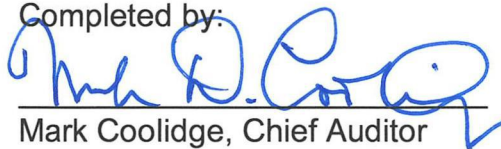
Approved by:



Joseph Centorino, Inspector General

10/04/2022
Date

Completed by:



Mark Coolidge, Chief Auditor

10-04-2022
Date

OFFICE OF THE INSPECTOR GENERAL, City of Miami Beach
1130 Washington Avenue, 6th Floor, Miami Beach, FL 33139
Tel: 305.673.7020 • Fax: 305.206.5509 • **Hotline: 786.897.1111**
Email: CityofMiamiBeachOIG@miamibeachfl.gov
Website: www.mbinspectorgeneral.com