



Joseph M. Centorino, Inspector General

October 3, 2023

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

PROJECT Resort Tax Audit Activities Summary
OIG No. 23-19
PERIOD: April 1, 2023, through September 30, 2023

Within the Office of the Inspector General's Audit Division are four Resort Tax Auditors who verify compliance by registered businesses with the Resort Tax provisions in the City Code. They conduct audits of monthly filers, e.g., hotels, short-term rentals, nightclubs and restaurants, which have frequent daily transactions for which resort taxes are due to the City, as well as 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.

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 4,105 active Resort Tax accounts as of October 2, 2023, which was comprised of 3,240 monthly filers and 865 annual filers. The number of monthly accounts continues to rise due to the increase in short-term rentals.

The primary focus of the Resort Tax Auditors is to conduct audits of monthly filers, since annual filers generally remit little or no resort taxes pursuant to City Code Section 102-308(3), due to exemptions for residencies in excess of six months. However, some audits of annual filers are routinely conducted to determine whether tested tenants satisfy the six-month requirement.

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 handled by the Finance Department and may lead to adjustment, appeal, settlement or other resolution involving other City processes and agencies. This 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 after repeated attempts and/or has not maintained sufficient supporting documentation. If the taxpayer subsequently provides the required records, the assigned Tax Auditor will examine 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.

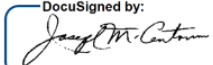
In sum, Tax Auditors have completed a total of 85 audits between April 1, 2023, and September 30, 2023 with net assessments levied of \$1,276,416.10. The following points provide a more specific breakdown, separated by annual and monthly filers, of the number of completed audits and the corresponding assessments:

- A. Monthly Filers – 51 audits completed with assessments totaling \$1,187,621.80
 - 1. Two taxpayers did not provide sufficient records after multiple requests which resulted in estimated audit assessments totaling \$309,927.49
 - 2. Twelve audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted
 - 3. Thirty-seven audits resulted in assessments levied ranging from a low of \$183.64 to a high of \$244,846.23 and totaling \$877,694.31

- B. Annual Filers – 34 audits completed with assessments totaling \$88,794.30
 - 1. Six taxpayers did not provide sufficient records after multiple requests which resulted in estimated audit assessments totaling \$78,204.84
 - 2. Seventeen audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted
 - 3. Eleven audits resulted in assessments levied ranging from a low of \$231.00 to a high of \$3,344.65 and totaling \$10,589.46

Finally, six audits completed prior to March 31, 2023, were re-opened, as the taxpayers provided additional records or information that was not furnished prior to the initial completion dates of those audits. As a result, the assessments on those six audits were reduced by \$156,932.47. In total, the Office of Inspector General’s Tax Auditors completed 182 Resort Tax audits with assessments levied of \$2,552,315.50 during the October 1, 2022 through September 30, 2023 fiscal year.

Respectfully submitted,

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 Joseph Centorino, Inspector General

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 Date

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 Mark Coolidge, Chief Auditor

10/3/2023 | 12:29 PM EDT

 Date

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