



Joseph M. Centorino, Inspector General

April 4, 2024

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

PROJECT Resort Tax Audit Activities Summary
OIG No. 24-04
PERIOD: October 1, 2023 through March 31, 2024

Within the City of Miami Beach Office of the Inspector General (OIG) Audit Division are Tax Auditors who verify the compliance of registered businesses with the City Code's Resort Tax provisions. They conduct audits of both annual filers and monthly filers. Annual filers generally involve apartment buildings that remit little or no resort taxes to the City due to the frequency of exemptions for continuous residencies exceeding six months. Monthly filers include 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) for the previous month's transactions. 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 4,292 active Resort Tax accounts as of April 2, 2024, comprised of 939 annual filers and 3,353 monthly filers. The number of monthly accounts has increased significantly over the past several years due primarily to short-term rentals.

As the annual filers are expected to remit little or no resort taxes, OIG's primary focus is to conduct audits of monthly filers. However, Tax Auditors also routinely conduct audits of annual filers, concentrating primarily on determining whether tested tenants satisfy the requirement imposed by City Code Section 102-308(3) that there be a continuous length of residency for longer than six months to be exempt from taxation.

Although the OIG determines the assessment (if any) based on its audit, it is not involved thereafter in the collection phase, initiated by the Finance Department, which 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 the department 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. These liens may remain in effect for up to twenty years. Any collected assessments based on OIG audits represent additional revenues to the City that would otherwise not have been received if the audits had not been performed.

In addition, City Code Section 102-311(6) states as follows: *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.*

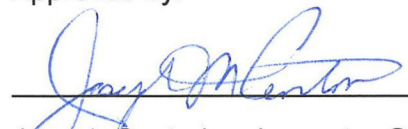
These estimated assessments are levied when the taxpayer has opted not to cooperate after repeated attempts or has not maintained the supporting documentation necessary to complete the audit. If the taxpayer subsequently provides sufficient records, the assigned Tax Auditor will examine the information provided and revise the estimated assessment as warranted. Conversely, some taxpayers pay the estimated assessments, or else fail to respond to or refute the assessments, which renders them final.

In sum, Tax Auditors completed a total of 78 audits between October 1, 2023, and March 31, 2024, with net assessments levied of \$1,312,769.09. 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 – 29 audits completed with assessments totaling \$279,967.89
 - 1. Eight taxpayers did not provide the requested records which resulted in estimated assessments totaling \$273,620.35
 - 2. Sixteen completed audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted
 - 3. Five completed audits resulted in assessments levied ranging from a low of \$264.96 to a high of \$2,773.54 and totaling \$6,347.54

- B. Monthly Filers – 49 audits completed with assessments totaling \$1,032,801.20
 - 1. Three taxpayers did not provide the requested records which resulted in estimated assessments totaling \$776,721.41
 - 2. Thirteen completed audits resulted in \$0.00 assessments as no material differences were noted from the amounts reported and remitted
 - 3. Thirty-three completed audits resulted in assessments levied ranging from a low of \$263.54 to a high of \$66,954.19 and totaling \$256,079.79


Approved by:



Joseph Centorino, Inspector General

04/04/2024
Date

Completed by:



Mark Coolidge, Chief Auditor

04/04/2024
Date