



City Manager Report

The City of OKLAHOMA CITY

NO: 685

DATE: AUGUST 18, 2015

TO: THE MAYOR AND MEMBERS OF THE CITY COUNCIL

SUBJECT: JULY 2014 - JUNE 2015 REVENUE ENFORCEMENT PROGRAM

The additional revenue for the City as a result of the revenue enforcement program for fiscal year 2015 is \$1,138,685. This is \$1,061,315 or 48% below the Leading for Results target, having been negatively impacted by a new Oklahoma Tax Commission program and a boundary review reporting issue as discussed further in the report. The costs for the revenue enforcement program were approximately \$553,000 for FY 2015.

The City Treasurer's Office actively pursues revenue enforcement activities through internal staff efforts as well as third party auditors to further enforce sales, use and other tax compliance. The City began pursuing revenue compliance in 2001. Since that time, approximately \$21.5 million in additional revenue has been realized from program activities. The revenue compliance programs currently administered by the City Treasurer's Office are as follows:

Sales & Use Tax Compliance Leads \$304,179 in additional revenue for the City

Each month Treasury staff reviews sales and use tax remittances to generate compliance leads for questionable and/or missing payments. Compliance leads are sent to the Oklahoma Tax Commission (OTC) for further review and collection efforts. This period 225 questionable or missing remittances were identified and sent to the OTC. The \$304,179 represents payments that were received this period for leads previously submitted.

A delinquent taxpayer program initiated by the OTC in 2012 has significantly reduced the City's compliance leads and contributed to the program being below target for FY 2015. In essence, delinquent taxes previously identified by the City are now being identified and collected by the OTC. Since its inception, the amount of revenue collected through the OTC delinquent taxpayer program has continued to increase. Under this program, the OTC collected approximately \$1.1 million on behalf of Oklahoma City during FY 2015. These additional revenues are not reflected in the total revenue for this report, since the reviews were not initiated by the City.

Independent Audit Program \$145,453 in additional revenue for the City

The independent audit program provides the City with the capability to perform sales and use tax audits in addition to those pursued by the OTC. All audits are conducted in accordance with OTC standards. Program results for the fiscal year are:

- 19 Audits Completed
- \$145,453 additional revenue collected
- \$24,157 in audit costs
- \$6.02 to \$1.00 recovery to cost ratio

Boundary Review

\$522,038 in additional revenue for the City

City staff typically conducts a review two times a year of City boundary areas to ensure taxpayers are correctly coded and remitting sales and use tax to the correct jurisdiction. Addresses coded incorrectly are sent to the OTC for further review and correction. Staff includes the amount received for the corrected addresses for a one-year period as revenue enhancements; however, these efforts may continue to benefit the City far beyond a single year.

The OTC has been working on some improvements in the reports provided to the City for boundary review. This resulted in a delay in the boundary review reports in FY 2015, and only one boundary review was completed. The reduced number of boundary reviews contributed to the revenue enforcement program falling well below target this year. The boundary review reporting and the City's review process are expected to return to the normal schedule of two reviews in FY 2016.

Hotel Collections

\$167,015 in additional revenue for the City

Each hotel tax report received by the City Treasurer's office is reviewed for validity by City staff. Enhanced revenue is generated by identifying erroneous exemptions or reports and providing notices to hotel operators that additional payment is required. This period 520 corrections were identified and sent to hotel operators.

The City Treasurer's Office will implement two new revenue enforcement programs in FY 2016. The first will be the hotel audit program. Under the audit program staff in the City Treasurer's Office will periodically examine the books and records of the hotels remitting hotel tax to Oklahoma City to ensure they are in compliance with City ordinances. The second new program for FY 2016 will be a natural gas franchise fee review.

Staff is available should you have questions or require additional information.



James D. Couch
City Manager