



City Manager Report

The City of
OKLAHOMA CITY

NO: 770
DATE: JANUARY 9, 2016
TO: THE MAYOR AND MEMBERS OF THE CITY COUNCIL
SUBJECT: JULY 2015 - DECEMBER 2015 REVENUE ENFORCEMENT PROGRAM

Additional revenue for the City resulting from the Revenue Enforcement program for fiscal year 2016 is \$516,248. The additional revenue collected is well above the cost of the program, which is approximately \$276,000 for the first six months of fiscal year 2016.

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. As a result of an audit completed by the City Auditor's Office, the City began pursuing revenue compliance in 2001. Since that time, the City has gained approximately \$22 million in additional revenue. The revenue compliance programs currently administered by the City Treasurer's Office are as follows:

Sales & Use Tax Compliance Leads **\$85,305 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 71 questionable or missing remittances were identified and sent to the OTC. The \$85,305 represents payments that were received this period for leads previously submitted.

Independent Audit Program **\$116,439 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 Tax Commission. All audits are conducted in accordance with OTC standards and each of our contracted auditors is delegated as an authorized agent of the Tax Commission. Program results are as follows:

	Fiscal Year-to-Date
Audits Completed	10
Total Revenue Collections	\$116,439
Cost of Audit Services	\$9,610
Recovery vs. Cost Ratio	\$12.12 to \$1

Boundary Review**\$242,163 in additional revenue for the City**

On a biannual basis City staff conducts a review of all City boundaries 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.

Hotel Collections**\$72,641 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 and providing notices to hotel operators that additional payment is required. This period 224 corrections were identified and sent to hotel operators.

New Activities for 2016

The City Treasurer's Office implemented two new revenue enforcement activities in 2016. The first is the hotel audit program. Under the audit program, staff in the City Treasurer's Office periodically examines the books and records of the hotels remitting hotel tax to Oklahoma City to ensure compliance with City ordinances. The first audit is still in progress. The second new activity is a natural gas franchise fee review that is also still in progress.

Internet Retailer Boundary Analysis

City Treasury Staff performed an analysis of the top 100 retailers that have online sales. Staff tested the retailers to determine if the correct sales tax rate is used in those instances where a buyer lives in Oklahoma City limits with the zip code for another jurisdiction. In total, 58 out of the 100 retailers were not charging the correct tax rate, including 4 that only charged the state tax rate. Treasury staff is actively working with the OTC to ensure these issues are corrected.

Impact of House Bill 1875

House Bill 1875 went in to effect during Fiscal Year 2016. The bill reduced the retention paid to OTC from 1% to 0.5%. The year-to-date retention has been reduced by \$886,823 for sales tax and \$71,913 for use tax.

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



James D. Couch
City Manager