



Onondaga County's Hotel/Motel Room Occupancy Tax Audit Summary for 2018

EXECUTIVE SUMMARY

The Onondaga County Comptroller audited fifty-one hotels/motels in 2018 for compliance with the Onondaga County Hotel Room Occupancy Tax Law for the period 2016 through 2017. These audits will produce **\$326,043** in additional revenue for the benefit of the taxpayers of Onondaga County, including additional ROT and related interest and penalties.

BACKGROUND

On December 1, 1975, Onondaga County (County) adopted Local Law No. 4-1975, Onondaga County Hotel Room Occupancy Tax Law (ROT), which permitted the County to collect a 2% room rental tax on the per diem rental charge. This local law was amended by Local Law No.5-1983, increasing the room rental tax from 2% to 3%, and then from 3% to 5% by Local Law No.20-1991.

The Law:

- Appoints the Commissioner of Finance (Commissioner) as the administrator and collector of the occupancy tax.
- Requires all operators of hotels and motels (Operators) to register with the Commissioner within three (3) days from filing a certificate of registration in a form set by the Commissioner.
- Requires the Commissioner to, within five days after such registration, issue to each operator a Certificate of Authority empowering such operator to collect the ROT from the occupants.
- Requires the ROT collected by the Operators to be paid to the Commissioner quarterly, and recorded within the County General Fund.

Onondaga County collected ROT of \$6.5M in 2016, \$6.6M in 2017, and over \$7M in 2018 from approximately 110 Operators. The number of operators fluctuates from year to year. During the audited time period, the top 10 hotels and motels contributed approximately 38% of the revenues collected. The Comptroller maintains a two year rotating ROT audit schedule for the Operators located in the County.

OBJECTIVES:

The objective of the ROT audits is to determine if the Operators are accurately reporting all required ROT to the Commissioner. Any difference between the amount required to be collected by the Operators during the audit period and the amounts they actually reported are identified and reported to the Commissioner.

SCOPE & METHODOLOGY OF REVIEW:

The audit schedule is compiled from a master list of all hotels/motels in Onondaga County maintained by the Comptroller's Office and the Commissioner of Finance. Prior to conducting a ROT audit, we send a letter to each Operator to schedule the audit. The letter identifies the date and time of the scheduled audit, the period of the audit, and the records required for conducting the audit. The letter also notes the auditor may request additional records during the scheduled audit.

The scope of each ROT audit is to determine compliance with the ROT Law. The objective is accomplished by performing ROT audits on all Operators on a two year rotating schedule. The methodology we use in conducting our ROT audits is to apply the criteria (see below) to the transactions at each hotel/motel for the audit period. This report is a summary of fifty-one ROT audits completed in 2018 for the period 2016 through 2017.

CRITERIA:

Criteria for each ROT audit includes all relevant laws, regulations, contracts, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to ROT audits, including:

- Onondaga County, New York Hotel/Motel Room Occupancy Tax Law (Local Law No.4 - 1975) and amendments; Local Law No.5 - 1983, Local Law No.11 - 1991, Local Law No.15 - 1991, Local Law No.20 - 1991 and Local Law No. 1, 1997.
- The Comptroller's Room Occupancy Tax Program.
- New York State Tax Law Sec. 1202-1 ("State Law") and *NYS Publication 848A Guide to Sales Tax for Hotel and Motel Operators*.
- Best practice according to recognized standards within the pertinent industry and best practices of accounting; where applicable.

FINDINGS AND RECOMMENDATIONS:

Of the fifty-one ROT audits conducted during the audit period, eighteen were in compliance with the criteria noted above. The thirty three Operators were not in compliance with the above criteria. These audits will produce **\$326,043** in additional revenue for the benefit of the taxpayers of Onondaga County, including additional ROT and related interest and penalties.

Of the Operators that were not in compliance (several Operators had multiple compliance issues):

- Five underpaid due to incorrect handling of the internet remarketers.
- Fourteen did not retain proper tax-exempt documentation to support quarterly ROT returns.
- One was taking the amount of tax collected from their accounting system and backing into their tax due instead of using actual revenue figures from the hotel's guest system.
- Nineteen were using incorrect figures to determine their ROT.

The findings were discussed with the management for the individual hotel/motel operators.