



# Onondaga County's Hotel/Motel Room Occupancy Tax Audit Summary for 2019

## EXECUTIVE SUMMARY

The Onondaga County Comptroller's Office audited forty six hotels/motels in 2019 for the period 2017 through 2018 for compliance with the Onondaga County Hotel Room Occupancy Tax Law. These audits will produce **\$318,047.91** in underreported revenue for the benefit of the taxpayers of Onondaga County. This figure includes \$223,346.56 in taxes, \$60,961.71 in penalties and \$33,739.64 in interest.

## BACKGROUND

On December 1, 1975, Onondaga County (County) adopted Local Law No. 4-1975, Onondaga County Hotel Room Occupancy Tax (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 \$6.6M in 2017, \$7.1M in 2018, and \$7.1M in 2019 from approximately 114 Operators. The number of operators fluctuates from year to year. During the audited time period, the top 10 hotels and motels contributed approximately 36% of the revenue collected. The Comptroller maintains a two year rotating ROT audit schedule for the Operators located in the County.

## **OBJECTIVE:**

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 establishes the possibility of the auditor requesting 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 used in conducting 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 forty-six ROT audits completed in 2019 for the period 2017 through 2018.

## **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 forty-six ROT audits conducted during the audit period, ten were in compliance with the criteria noted above. Thirty-six Operators were not in compliance with the above criteria. These audits will produce **\$318,047.91** of underreported revenue (including interest and penalties) for the benefit of the taxpayers of Onondaga County.

Of the Operators that were not in compliance:

- One underpaid due to adding the same guests more than one time to taxable revenue.
- Seventeen did not retain proper tax-exempt documentation to support quarterly ROT returns.
- Three did not file and pay ROT when it was due.
- Thirty-one were using incorrect figures to determine the ROT.

Several Operators had multiple compliance issues and the findings were discussed with the management for the individual hotel/motel operators.