



# **Onondaga County's Hotel and Motel Room Occupancy Tax Audit Summary for 2020-21**

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## **BACKGROUND**

On December 1, 1975, Onondaga County (County) adopted Local Law No. 4-1975, the Onondaga County Hotel Room Occupancy Tax (ROT) Law, which permits the County to collect a room occupancy tax on the per diem rental charge. Since 1975 this local law has been amended several times, resulting in an increase in the room occupancy tax percentage. Effective March 1, 2021, with Local Law No. 1, 2021, the percentage increased to 7%.

In addition to establishing the room occupancy tax percentage, the Onondaga County Hotel Room Occupancy Tax Law also:

- 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, within five days after such registration, to issue each operator a Certificate of Authority empowering such operator to collect ROT from the occupants.
- Requires ROT collected by the Operators to be paid to the Commissioner quarterly and recorded within the County General Fund.

Due to many factors, including but not limited to the COVID-19 pandemic, the number of Operators fluctuated in 2020-21. Onondaga County collected ROT of \$3.24 million in 2020 and \$8.14 million in 2021 from 106 Operators. In an effort to ensure COVID-19 protocols were adhered to, the Comptroller's Office selected and scheduled audits on a risk-based assessment process during the 2020 and 2021 audit years.

## **EXECUTIVE SUMMARY**

In 2020 and 2021 the Onondaga County Comptroller's Office audited 25 hotels for compliance with the Onondaga County Hotel Room Occupancy Tax (ROT) Law for the period 2018 through 2021. These audits will produce \$341,628 in additional revenue (which encompasses interest and penalties) for the benefit of the taxpayers of Onondaga County.

## **AUDIT 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 amount actually reported are identified and reported to the Commissioner.

## **AUDIT SCOPE & METHODOLOGY OF REVIEW:**

The audit schedule is compiled after reviewing a master list of all hotels and motels in Onondaga County maintained by the Comptroller's Office and the Commissioner of Finance. Prior to conducting a ROT audit, a letter is sent to each Operator to announce and schedule the audit. The

letter states the date and time the audit will commence and specifically the time period the audit will encompass so ensure records and documentation required for the audit are readily available.

As the audit nears, the Comptroller's Office conducts a Pre-Audit Conference (PAC) call in which the auditors discuss the planned audit with the Operator management. Operators are requested to provide reports prior to field work to facilitate the time required on-site at the specific hotel. The 2020-21 PAC calls included a discussion of safety protocols as related to COVID-19 and on-site visits.

### **AUDIT CRITERIA:**

Criteria for ROT audits includes relevant laws, regulations, contracts, standards, measures, expected performance, defined business practices and benchmarks against which performance is compared or evaluated. The criteria also identifies the 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, Local Law No. 1 - 1997 and Local Law No. 1 – 2021.
- The Comptroller's Room Occupancy Tax Process.
- New York State Tax Law Sec. 1202-1 ("State Law") and NYS Publication 848A Guide to Sales Tax for Hotel and Motel Operators.
- Best practices according to recognized generally accepted accounting principles within the pertinent industry as it relates to ROT.

### **FINDINGS:**

Of the 25 ROT audits conducted during 2020-21, there were no Operators in full compliance with the criteria noted above. As a result, the completed audits found \$341,628 in additional revenue for the benefit of the taxpayers of Onondaga County.

The areas Operators were not in compliance with included:

- Not charging Room Occupancy Tax against Pet Fee revenue
- Not charging Room Occupancy Tax against Cot Fee or Roll-away Bed revenue
- Not reconciling internal reports such as exempt guest stay reports to accounting reports
- Not charging Room Occupancy Tax against third party guest stays
- Not adjusting the ROT rate to 7% to comply with Local Law No. 1 - 2021.
- Lack of documentation to support guest's Tax Exempt status
- Inappropriately completing their ROT returns

The Comptroller's Office discusses all findings with the management/Operator of each hotel/motel prior to written notification of the audit results.