



## Onondaga County's Hotel/Motel Room Occupancy Tax Review 2014

### 1. **BACKGROUND**

On December 1, 1975, Onondaga County adopted Local Law No. 4-1975, Onondaga County Hotel Room Occupancy Tax Law (the "Law" or "Local Law"), which permitted the County to collect a 2% room rental tax on the per diem rental charge. This local law was amended by Local 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. The Law provides that all operators of hotels and motels ("Operators") register with the Commissioner within three (3) days from filing a certificate of registration in a form set by the Commissioner. The Commissioner shall, within five days after such registration, issue without charge to each operator a Certificate of Authority empowering such operator to collect the tax from the occupant. The tax is collected and recorded within the General Fund. Surplus tax collected over budget is collected in the General Grants Fund to be used for selected tourism and events projects.

In 2013, Onondaga County collected over \$6.0 million in room occupancy tax from roughly 110 Operators. In 2013, the top 10 hotels and motels contributed approximately 39% of the revenues collected annually. Onondaga County maintains an aggressive Room Occupancy Tax audit schedule. All hotels/motels are audited on a two year rotation.

### 2. **OBJECTIVES:**

The objective of the Room Occupancy Tax audits is to determine that the Operators of hotels/motels in Onondaga County are accurately reporting all room occupancy tax on the tax returns for occupancy of hotel/motel rooms.

### 3. **SCOPE & METHODOLOGY OF REVIEW:**

The objectives are accomplished by the Onondaga County Comptroller's Office performing Room Occupancy Tax audits ("Audits") of all hotels/motels on a two year rotation. This report is a summary of Room Occupancy Tax audits that have been completed between the periods of January 1, 2014 thru August 31, 2014. In this time period, twenty Room Occupancy Tax audits were completed by the Onondaga County Comptroller's Office.

The Audits completed during the period of January 1, 2014 thru August 31, 2014 were based on the rotating audit schedule prepared by the Onondaga County Comptroller's Office. This audit schedule is compiled from a master list of hotels/motels in Onondaga County maintained by the Comptroller's Office and the Commissioner of Finance. This master list summarizes all the Operators along with contact information and number of rooms for occupancy.

Prior to conducting a Room Occupancy Tax audit, a letter is sent to each Operator to schedule the audit. The letter identifies the date and time of the audit, the period under audit and the records to be provided by the Operator in order to perform the audit. The letter also notes that during the course of the audit, the auditor may test additional records and such records should be supplied at that time.

#### **4. CRITERIA:**

Criteria represents the 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 the program or operation.

Criteria for this review consisted of the following:

1. 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;
2. Onondaga County Comptroller's Office Room Occupancy Tax Program;
3. New York State Tax Law Sec. 1202-1 ("State Law") and *NYS Publication 848A Guide to Sales Tax for Hotel and Motel Operators*; and
4. Best practice according to recognized standards within the pertinent industry and best practices of accounting; where applicable.

#### **5. FINDINGS AND RECOMMENDATIONS:**

Of the twenty ROTs conducted, thirteen were in compliance with the Criteria noted above. Of the remaining seven hotel/motels; two hotel/motels over paid due to calculation errors, one hotel/motel overpaid for not being aware of the over 30-day stay room occupancy tax exemption, two hotels did not retain proper tax-exempt documentation as backup to the quarterly ROT tax returns during the period of audit, and two hotels/motels did not include extra room charges that are considered room revenue, i.e. pet charges, extra person, rollaway beds and room adjustments. The financial impact of the 7 hotels not in compliance is minimal. Four hotels owed an additional tax, interest and penalties of \$1,576. Three hotels were due a credit in total of \$1,359. These findings were discussed with the management of the Operators.

The Audit Division will submit another ROT report when the next 20 Audits are completed in 2014.