Summary of Onondaga County’s 2024 Hotel and Motel Room Occupancy Tax Audits

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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.

In 2023, the Onondaga County Office of Budget & Management collected Room Occupancy Tax exceeding $12.7 million from 131 Operators. In 2024, they collected in excess of $13.2 million from 131 operators.

Executive Summary

22 Operators were audited in 2024 by the Onondaga County Comptroller's Office for compliance with the Onondaga County Hotel Room Occupancy Tax Law. The 22 audits completed in 2024 found $433,728.44 in additional revenue for the benefit of the taxpayers of Onondaga County.

Audit Objective

The objective of the Room Occupancy Tax 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

Prior to conducting a ROT audit, a letter is sent to each Operator to announce and schedule the audit. The letter states the projected date and time the audit will commence, the time period the audit will encompass and the records and documentation required to be provided for the audit.

The Comptroller's Office conducts a pre-audit conference call with Operators during which the auditors discuss the planned audit with the Operator's management. During this initial call

Operators are requested to provide reports for review prior to field work to minimize required on-site time.

Audit Criteria

Criteria for Room Occupancy Tax audits include 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 Room Occupancy Tax 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

The Comptroller's Office audit team examined tax returns for 22 Operators that reported $11,758,511.59 in Room Occupancy Tax based on $197,346,312.13 in gross revenues. The 22 audits found **$433,728.44** in additional revenue for the benefit of the taxpayers of Onondaga County.

The 22 ROT audits found Operators non-compliant with one or more of the audit criteria noted below:

- 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 increasing the Room Occupancy Tax rate to 7% to comply with Local Law No. 1 – 2021.
- Not submitting collected Room Occupancy Tax to the County.
- Lack of documentation to support guest's Tax Exempt status.
- Inaccurately completing the Room Occupancy Tax quarterly returns.