

## CITY COUNCIL MEMORANDUM

**TO:** Mayor and City Council  
**FROM:** Alvin G. Coby, City Manager  
**DATE:** October 1, 2010  
**SUBJECT:** Florida Department of Revenue Sales Tax Audit

In September 2009 the City was selected by the Florida Department of Revenue (FDOR) for a sales tax audit. The audit period covered 9/1/06 through 8/31/09 with the scope being sales tax collections and remittance by all City departments. Upon review two issues were discovered:

1. Sales tax remittance on a parking lease was short by \$1,357.80; that amount has now been paid in full.
2. The City did not have proper documentation to back up exemptions for certain Energy Services of Pensacola (ESP) gas customers.

The State of Florida requires that in order for an account to be exempt from sales tax the customer must have an active DR-14, DR-16A, or an affidavit for specialty exemption forms which must be maintained on file by the City of Pensacola. The City is working with customers to obtain these forms and has documented proper procedures going forward.

Of the total 1,800 accounts that were marked sales tax exempt 257 accounts were deemed taxable. These 257 accounts resulted in an amount due of \$343,258.15. The total due is comprised of both active and inactive customers of which 136 active customers owe \$317,634.65 and 121 inactive customers owe \$25,623.50. Of the total \$343,258.15 due, \$140,781 is due by one customer, \$53,460 is due by 4 customers, each owe between \$11,000 and \$16,000 and the balance \$149,017 is due by the remaining 252 customers. On June 1, 2010 a letter went out to all effected customers notifying them of the sales tax audit. Active customers will be billed in October for the sales tax deficiency and letters are being sent to the last known address of inactive customers in an attempt to collect on those accounts.

The City was able to join the State's amnesty program which forgives all penalties and one third of the interest. In order to join the amnesty program the City was required to pay \$272,675.23 of the amount due by September 30, 2010. Interest calculations have not been finalized by the FDOR but estimated to be around \$15,000 and will be paid for by ESP. The remaining balance will be paid in October.

City of  
Pensacola

