



Monterey County

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Board Report

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Receive an oral report regarding Sales and Use Taxes including an Overview of Sales and Use Tax, Allocation of Sales and Use Tax and Current Sales Tax Trends from the Office of the Auditor-Controller and HdL Companies.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive an oral report regarding Sales and Use Taxes including an Overview of Sales and Use Tax, Allocation of Sales and Use Tax and Current Sales Tax Trends from the Office of the Auditor-Controller and HdL Companies.

SUMMARY:

The Oral Report from the Office of the Auditor-Controller and HdL Companies, the County's contracted Sales and Use Tax auditors, will include:

- Sales Tax Overview
- Allocation of Sales Tax
- Use Tax Overview
- Allocation of Use Tax
- Current Trends in Sales and Use Tax

The following reports are attached and will be referenced during the Oral Report:

- Monterey County 2013 Fourth Quarter Sales Tax Update lists the 25 Top Producers, charts "Online versus Brick & Mortar" growth, and discusses "E-Commerce Spending."
- Brick & Mortar vs. Online Shopping
- Monterey County 2014 Third Quarter Sales Tax Update charts Sales Tax by Major Business Groups and lists the 25 Top Producers.
- Annual Sales Tax Recovery

DISCUSSION:

State taxing agencies are responsible each quarter for collecting and monitoring sales tax revenues from thousands of accounts. Considering the sheer number of returns, the complexities and variations of each state's tax system, and the number of sales tax filings by out-of-state corporations, the taxing agencies do a very effective job of collecting and distributing sales and use tax revenues. However, despite their diligence, approximately 3% of local revenues are misallocated.

To address these errors, the HdL Companies (HdL) administers an ongoing, taxpayer-friendly system of monitoring client sales and use tax receipts to identify errors and recover lost revenues. These recoveries directly benefit Monterey County's General Fund.

HdL looks for and corrects allocation errors including:

- Sales misreported as "use tax" transactions.
- "Point of Sale" revenues misreported to administrative offices or other locations.
- Misallocations occurring because sales from multiple retail outlets, order desks, or offices are credited to a single location.
- Misallocations due to jurisdiction miscoding.

OTHER AGENCY INVOLVEMENT:

HdL Companies' quarterly reports are reviewed by the CAO-Budget and Analysis and Economic Development.

FINANCING:

The cumulative sales and use tax recovery since 1996, the date of the HdL Companies' initial contract with the County is \$16,468,865 (Attachment - Annual Sales Tax Recovery). This represents a return on investment of 2,260% on audit, reporting and management fees paid to HdL.

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Attachments:

Q4 2013 Monterey County Sales Tax Update

Q3 2014 Monterey County Sales Tax Update

Brick & Mortar vs. Online Shopping

Annual Sales Tax Recovery