

FINDING AND DISCOVERING HIDDEN REVENUES

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Where to Start?

- ▶ Impose or Increase Local Taxes
- ▶ Maximize Current Rates
- ▶ Review Services Provided to ensure you are charging for proper rates
- ▶ Taxpayer Bill of Rights



Taxpayer Bill of Rights

- ▶ Most of you have it
 - “Locally Imposed Tax Rights and Responsibilities”
- ▶ Lays out roles and who is in charge
 - Administrator (Treasurer/Finance Director), authorities (Mayor, Council)
- ▶ Governs all taxes, but not fees
 - Exception is IMF (attached to Telecom Tax) and Property Tax (State/County)
 - Now cable franchise fees are affected
- ▶ Outlines regulatory powers of Municipality
 - Credits/Refunds
 - Audit rights/procedures
 - Interest/penalties
 - Appeals/hearings
 - Statutes of limitations
 - Liens



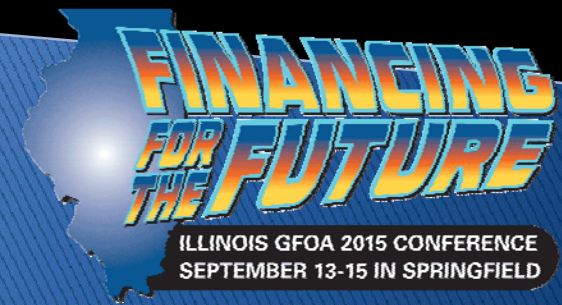
Resources

- ▶ Surveys
- ▶ Websites
 - Local Governments
 - State of Illinois
- ▶ Networking
- ▶ Seminars / Conferences
- ▶ Partners



Partners That Can Help Find Revenue

There are partners that can maximize revenues for local governments by specializing in audits of utility, telecommunications, and cable fees and taxes, delivered by an experienced audit team on a contingency fee basis.



Locally Imposed Taxes

Motor Fuel	Food & Beverage
Hotel/Motel	Towing Fees
Entertainment/Amusement	Vehicle Stickers
Licenses (Rentals, Bartender, Chauffer)	Stormwater
Real Estate Transfer Stamps	Video Gaming



Maximizing Current Tax Rates

- ▶ Home Rule and Non-Home Rule Sales Tax
- ▶ Electric Utility Tax
- ▶ Natural Gas Utility Tax
- ▶ Telecom Tax



Other Partners

- ▶ State of Illinois IDROP Program
 - Collection program that intercepts state income tax refunds
- ▶ Billing & Collection Agencies
 - Ambulance Bills
 - Parking Tickets
- ▶ Credit Card Processing Fees



Home Rule and Non-Sales Tax

- ▶ Retailers Occupation Tax / Sales Tax
 - of 6.25% state sales tax 1% is distributed to municipality
- ▶ Different rules for Home Rule and Non-Home Rule
- ▶ The maximum rate depends on home rule status
- ▶ The local tax rate must be made increments of .25%
- ▶ Local level taxes are not imposed on:
 - Items that are titled with an Illinois State agency
 - Qualifying food, drug, and medical appliances



Home Rule vs Non-Home Rule

- ▶ Home Rule
- ▶ Home rule tax can be implemented by ordinance without voter approval
- ▶ No maximum limit

- ▶ Non-Home Rule
- ▶ Non-Home rule tax may be imposed only after a voter referendum
- ▶ Maximum limit is 1%

- ▶ Certified ordinance must be mailed to IDOR
- ▶ Ordinances submitted by April 1 (May for non-HR) active July 1
- ▶ Ordinances submitted by Oct. 1 become effective Jan. 1



Electric and Gas Utility Taxes

- ▶ Tax levied upon electric, gas consumption or sale (within corporate boundaries)
- ▶ General rates of taxation
 - Gas taxed upon sale – gross receipts (up to 5%) or per therm (MUT)
 - Electric taxed upon amount of kilowatt/hour used (MUT)
 - “Step Tax”



Electric Tax Old Rates

- ▶ Electricity Not For Resale: Persons engaged in the business of distributing, supplying, furnishing or selling electricity for use or consumption within the village limits and not for resale, at the rate of five percent (5%) of the gross receipts there from.
- ▶ Revenue Neutral (*no change* with Municipal Aggregation)



Electric Tax Max Rates

- ▶ **Electricity Purchased At Retail:**
- ▶ a. Persons engaged in the privilege of using or consuming electricity acquired in a purchase at retail and used or consumed within the corporate limits of the village at the following rates, calculated on a monthly basis for each purchaser:
 - ▶ (1) For the first 2,000 kilowatt hours used or consumed in a month; 0.6095 cent per kilowatt hour;
 - ▶ (2) For the next 48,000 kilowatt hours used or consumed in a month; 0.3996 cent per kilowatt hour;
 - ▶ (3) For the next 50,000 kilowatt hours used or consumed in a month; 0.3597 cent per kilowatt hour;
 - ▶ (4) For the next 400,000 kilowatt hours used or consumed in a month; 0.3497 cent per kilowatt hour;
 - ▶ (5) For the next 500,000 kilowatt hours used or consumed in a month; 0.3397 cent per kilowatt hour;
 - ▶ (6) For the next 2,000,000 kilowatt hours used or consumed in a month; 0.3197 cent per kilowatt hour;
 - ▶ (7) For the next 2,000,000 kilowatt hours used or consumed in a month; 0.3148 cent per kilowatt hour;
 - ▶ (8) For the next 5,000,000 kilowatt hours used or consumed in a month; 0.3097 cent per kilowatt hour;
 - ▶ (9) For the next 10,000,000 kilowatt hours used or consumed in a month; 0.3048 cent per kilowatt hour; and
 - ▶ (10) For all electricity used or consumed in excess of 20,000,000 kilowatt hours in a month; 0.2997 cent per kilowatt hour



	Average Annual KWH	Average Monthly KWH	Average Annual Revenue by Class	Average Monthly Revenue by Class	Monthly Utility Tax Revenue @ Step Tax ~ 5%
Residential Customer	8,903	741.92	\$857.26	\$71.44	\$3.57
Commercial Customer	435,447	36,287.25	\$4,937.10	\$411.43	\$20.57
Industrial Customer	12,357,567	1,029,797.25	\$610,682.32	\$50,890.19	\$2,544.51

Electric Tax – Users and Usage

How does this translate into Utility Tax?



Natural Gas Tax – Max Rate

- ▶ Persons engaged in the business of distributing, supplying, furnishing or selling gas for use or consumption within the village limits and not for resale, at the rate of five percent (5%) of the gross receipts therefrom.
- ▶ Except as otherwise provided by this Article, a tax is imposed on the privilege of using or consuming gas in the Village that is purchased in a Sale at Retail at no maximum cents per therm.



	Average Monthly Revenue	Average Monthly Therms	Monthly Utility Tax Revenue @ 5%	Monthly Utility Tax Revenue @ \$0.04 / Therm
Residential Customer	\$ 84.65	93.80	\$4.69	\$3.75
Commercial Customer	\$ 288.19	323.75	\$16.19	\$12.95
Industrial Customer	\$ 576.05	678.2	\$33.91	\$27.13

Gas Tax – Users and Usage

How does this translate into Utility Tax?



Utility Tax Notes

- ▶ How is it collected?
 - Utility collects, adds administrative fee (3%)
 - Remit Monthly/quarterly/yearly
- ▶ Exemptions
- ▶ Free therms or kilowatts to some
 - Municipal Buildings
 - Dependent upon franchise agreement
- ▶ Non-home Rule OK



Telecom Tax – Max Rate

- ▶ Most municipalities levy these taxes
- ▶ Collected by IDOR
- ▶ Remitted back to municipality quarterly
 - Administrative fee taken out
 - Data can be gotten from IDOR
- ▶ New System is part of “Simplified Municipal Telecommunications Tax Act”
 - Enacted in 2003
- ▶ If you had ordinance prior, grandfathered
- ▶ Rates cannot exceed 6% for municipalities with a population of 500,000 or less
 - Can be increased by .25% if you have not reached the cap



Cable Franchise Fees–Max Rate

- ▶ Local Franchise Agreement lays forth powers of municipality
 - 5–10 years in length (current practice)
 - Fee – right to do business on public ways
 - Lays forth how it is to be collected/remitted
 - Generally remitted quarterly
 - 5% of “gross revenues”
 - \$ per premise (not recommended)
- ▶ Statewide Franchises



Partners That Can Help Maximize Revenue

- ▶ Audits
 - Sales Tax
 - Utility Tax
 - Cable Franchise Fees
 - Utility Bills
 - Other Taxes and Fees





Audit Process

Sales Tax Reviews

- ▶ Monitor, Monitor, Monitor!! Help you ensure that proper controls are in place to prevent the future miscoding of addresses
- ▶ Standardize the format of address databases used to compute sales tax receipts
- ▶ Establish the most complete possible address lists
- ▶ Correct errors that plague address records
- ▶ Report back on lost revenue and determine outstanding monies owed
- ▶ Track trends in revenues from your local businesses

DATA REPORTS MANAGE ACCOUNT FAQs

Reports

Summary Map Charts

Start From End By Both Tax Type

Address (Job Title)	Company Name	Account #	Type	Tax Type
601 E. Lake St. Streamwood, Il, 00000	ACME Corp.	00000000	PL	MT
601 E. Lake St. Streamwood, Il, 00000	ACME Corp.	00000000	PL	MT
601 E. Lake St. Streamwood, Il, 00000	ACME Corp.	00000000	PL	MT
601 E. Lake St. Streamwood, Il, 00000	ACME Corp.	00000000	PL	MT
601 E. Lake St. Streamwood, Il, 00000	ACME Corp.	00000000	PL	MT

Export

Gas and Electric Utility Tax Audits

- ▶ Checking the accuracy of the geographic data used by the utility provider
- ▶ Rooting out address coding errors—monitor and prevent them from reoccurring
- ▶ Working to recover past due tax revenues, interest, and penalties



Cable Franchise Fee Audit

- ▶ Checking the accuracy of the geographic data used by the utility provider
 - Can kill two birds with one stone
- ▶ Gross Revenue Calculations
 - Includes
 - Subscriber
 - Advertising
 - Pay-per-View
 - Home Shopping
 - Examination of Debt Distributions
 - Does not include internet – bundled packages can be tricky!



Telecom Taxes

- ▶ Can't be audited by local governments!
 - Administered by the State
- ▶ Can be monitored and managed by local governments under the simplified Telecommunications Tax Act
 - Sending address lists to telecom companies
 - Following up with telecom companies
 - Correcting miscoded addresses with each company
 - Financial data can be obtained from IDOR so you can identify trends among tax payers and which are impacting your telecom receipts
- ▶ Getting Results
 - Recovering 911 fees
 - Recovering future telecom taxes
 - Ensuring addresses stay correctly coded for the long-term future



Utility Bill Audits

- ▶ Errors in the initial account setup
- ▶ Incorrect customer charges
- ▶ Correct meter multipliers
- ▶ Billing inconsistencies with contractual terms
- ▶ Billing for equipment or service the City is not receiving
- ▶ Overcharges for regulatory charges or taxes
- ▶ Equipment and services
- ▶ Cost-effective options
- ▶ Demand charges and contracts
- ▶ Rate management



Other Taxes

- ▶ Food and Beverage – Making sure all your businesses are remitting the proper amounts and that your ordinance is consistent
- ▶ Hotel/Motel – Ensuring that all categories of gross revenue are accounted for
- ▶ Entertainment/Amusement – Ensuring that all categories of gross revenue are accounted for
- ▶ Motor Fuel – Can be identified and recovered as part of the sales tax review



Questions?

