



---

## CITY COUNCIL REPORT

### CITY OF FAIR OAKS RANCH, TEXAS

November 3, 2022

---

AGENDA TOPIC: Update on the Sales Tax Compliance Review performed by Avenu Insights & Analytics

DATE: November 3, 2022

DEPARTMENT: Administration

PRESENTED BY: Scott Huizenga, Assistant City Manager – Administrative Services

---

#### **INTRODUCTION/BACKGROUND:**

In July 2021 the City contracted with Avenu Insights & Analytics for a compliance review to detect, document and correct errors in the collection and distribution of sales and use tax. There were no upfront fees for the service; payment would only be made if an error was found and resulted in additional sales tax being distributed to the City. The fee is 35% on compliance from past periods and prospective compliance for the next 24 months. Per statute, the past compliance can only go back four years.

Avenu Insights requested the confidential report from the State Comptroller and began an initial review in August 2021. Taxpayers reviewed include residential and commercial business, but the majority are home business taxpayers. While the City receives a large portion of its sales tax revenue from online purchases, Avenu Insights does not have audit authority to review residential purchases from Amazon and similar online sources.

To date only one error has been found and corrected. A taxpayer had moved from a San Antonio location and did not update their permit with their new Fair Oaks Ranch address. This resulted in sales tax being distributed according to the old address. Avenu Insights was able to work with the business to correct the permit and worked with the Comptroller to recover past sales tax payments for the periods of April 2019 through March 2022, which have been redistributed to the City. The taxpayer began reporting correctly to the City beginning with the April 2022 sales tax return.

#### **POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

Obtaining a compliance review of sales tax revenues helps ensure the City is obtaining the maximum and correct amount of revenue for sales within the City. Below is a summary of the sales tax finding and fees charged to the City for the single correction to date.

Billing Period	Past Sales Tax	Prospective Sales Tax	Fees at 35%
Initial Correction	\$8,292.23		\$2,902.28
Month 1		\$242.62	\$84.91
Months 2, 3, 4		\$369.61	\$129.36
<b>Total</b>	<b>\$8,292.23</b>	<b>\$612.23</b>	<b>\$3,116.55</b>

Avenu Insights also identified one correction totaling \$6,746.05, before fees, related to MDD sales tax.

**LONG-TERM FINANCIAL & BUDGETARY IMPACT:**

The Professional Services Agreement with Avenu Insights will remain in effect until satisfactory completion of the Scope of Work, unless terminated by either party. Avenu Insights will complete multiple reviews, and they will continue looking for errors as business relocate or new businesses start in the City. There is no pre-determined end date for the review process.

**LEGAL ANALYSIS:**

No legal analysis was required for this agenda item.

**RECOMMENDATION/PROPOSED MOTION:**

Council update only; no motion required.