

**To the Mayor and Members of the City Council**

**November 3, 2015**

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**SUBJECT: SALES TAX OVERPAYMENT**

The Texas Comptroller’s Office recently notified the City of Fort Worth of the results of a sales tax audit performed on a City of Fort Worth business in earlier this year. The audit reviewed the remittances this specific business made for sales tax collections from February 2010 to July 2013. The taxpayer is not named in this report, as sales tax information is made confidential by Section 151.027 of the Tax Code; however, the Texas Comptroller’s Office was able to share some of the details of the audit findings, which are discussed within this Informal Report.

During the audit, the Comptroller’s Office discovered an overpayment in local sales and use taxes to the City in the amount of \$4,221,611, of which \$2,822,728 is attributable to the General Fund and \$1,398,883 is attributable to the Crime Control and Prevention District (CCPD). The overpayment was the result of a business that reported their local sales tax based on the location that the products were distributed (Fort Worth warehouse) from versus the locations where the sales were made. The taxpayer has four sales offices located in other cities within Texas. Since this amount was originally all credited to the City of Fort Worth, it must now be repaid to the State to be reallocated to the correct jurisdictions.

**Budget:**

The following table shows the FY2015 amended budget for sales tax, the year-end forecast, the variance, and the overpayment for the General Fund and the CCPD. Final sales tax receipts for FY2015 will be reported in December 2015.

	<b>Amended Budget *</b>	<b>Year-End Forecast</b>	<b>Variance</b>	<b>Overpayment</b>
<b>General Fund</b>	\$ 126,711,466	\$ 129,114,065	\$ 2,402,599	\$ 2,822,728
<b>CCPD</b>	58,227,401	60,042,232	1,814,831	1,398,883

\* - As amended by ordinances

The General Fund is forecasted to receive **\$129,114,065** by fiscal year end, which exceeds amended FY2015 budget by **1.9%**. The CCPD is forecasted to receive **\$60,042,232** by fiscal year end, which exceeds FY2015 adopted budget by **3.1%**.

Preliminary forecasts for FY2015 indicate a contribution to fund balance around \$7 million for the General Fund and in excess of \$3 million for the CCPD.

**Payback:**

The City has two options to pay the \$4,221,611 overpayment to the State, including:

- Submitting a one-time payment for the total amount owed, less a 2% discount; or
- Entering into a 42 month payment plan.

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Considering the favorable budget performance for FY2015 in both funds, the City plans to take advantage of the \$84,432 discount provided through the one-time payment option. The amounts paid back will be taken from revenues received during fiscal year 2015 and will be paid to the State by the end of November 2015.

The City is currently in a payback arrangement for the General Fund due to a previous overpayment with an outstanding balance of \$7,406,598 as of September 2015 and is paying \$38,778 per month until August 2031. This does not include the additional \$2,822,728 mentioned above. The CCPD Fund is currently in the same payback arrangement with an outstanding balance of \$2,877,797 as of September 2015 and is paying \$15,067 per month through August 2031. This does not include the \$1,398,883 mentioned above.

If you have any questions, please call Aaron Bovos, Chief Financial Officer, at 817-392-8517

**David Cooke**  
**City Manager**