



City of Norman, OK

Municipal Building Council
Chambers
201 West Gray Street
Norman, OK 73069

Text File

File Number: K-1213-77

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Current Status: Consent Item

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Matter Type: Contract

Title

CONTRACT NO. K-1213-77: A CONTRACT BY AND BETWEEN THE CITY OF NORMAN, OKLAHOMA, AND THE OKLAHOMA TAX COMMISSION TO ENGAGE IN SALES AND USE TAX COMPLIANCE ACTIVITIES.

ACTION NEEDED: Motion to approve or reject Contract No. K-1213-77 with the Oklahoma Tax Commission and, if approved, authorize the execution thereof.

ACTION TAKEN: _____

Body

BACKGROUND: Businesses in Oklahoma that sell taxable goods are required to collect applicable state and municipal sales taxes from the purchasers of such goods. Those state and municipal taxes collected from the purchasers are then required to be remitted by the retailer to the Oklahoma Tax Commission. The Oklahoma Tax Commission then sends the taxes paid by the purchasers to the taxing entities. Historically, the OTC has been responsible for pursuing retailers that fail to remit the taxes collected from the purchasers to the OTC. Senate Bill (SB) 750 relating to the collection of sales tax was amended on May 26, 2011 to authorize municipalities to “engage in compliance activities, either directly or through contract with private persons or entities, to augment the collection of the municipal tax by the Tax Commission”. The Oklahoma Municipal League states that under the amended bill “municipalities will now have greater leeway to contact local merchants about compliance with the local sales tax ordinance.”

DESCRIPTION: The City of Norman could benefit financially from the implementation of delinquent sales, use and franchise tax collection programs authorized by SB 750. The Oklahoma Tax Commission (OTC) publishes a 60-day tax delinquency report which provides information on businesses within Norman that have collected sales taxes from purchasers but have failed to remit those collections to the OTC. However, the OTC often is unable to actively pursue collection of these overdue taxes.

SB 750 sets forth procedures for municipalities to follow in order to exercise the new authority to engage in compliance activity. One of the first actions is to contract with the (OTC) to engage in compliance activities. This contract is in addition and supplemental to the existing master contract with OTC to collect the city’s sales and use tax (Contract K-1112-45). Under this Agreement to Engage in Compliance Activities, City of Norman employees will be trained to act as Agents of the OTC for the collection of municipal sales taxes in Norman.

We would also like to enter into a third-party agreement to perform compliance auditing services with RDS (Revenue Discovery Systems), a company that provides compliance auditing and revenue enhancement services. These services will be billed at an hourly rate and based on

all time recorded by RDS personnel performing auditing services for the City of Norman. The City of Norman would not authorize RDS to pursue audits that would not potentially generate sufficient revenue to offset the costs of the audit.

With implementation of these new compliance tools, Staff would review the OTC delinquency report internally, and if a true delinquency has occurred, send a notification letter to the vendor that if they do not pay their overdue taxes, a City citation will be issued and a court date established. The City Code (Section 8-410) details the vendor's duty to collect taxes and if a vendor fails, neglects or refuses to collect the full amount of taxes due, then a compliance action in the Municipal Court can be initiated. The goal is to make sure sales taxes paid by purchasers, collected by retailers, are appropriately remitted to the taxing entities. Other cities in Oklahoma that have implemented procedures allowed under SB 705 have reported increased success in gaining compliance with causing retailers to timely remit the taxes they have collected from purchasers.

RECOMMENDATION: Staff recommends that Council approve Contract No. K-1213-77 with the Oklahoma Tax Commission, in order to supplement the tax collection program and to enhance the timely remittance of sales and use taxes collected from purchasers by local retailers.