



OFFICE OF THE
UTAH STATE AUDITOR

Auditor Alert 2014-3 Frequently Asked Questions

Date: November 10, 2014

Local Option Sales & Use Taxes

- 1. Our local option sales taxes for public transit are paid directly to our transit district by the State Treasurer. What do we need to report in our budget and financial statements?**

Your jurisdiction (city or county) needs to report the revenue generated by the transit taxes it levies as well as the corresponding expenditure to the transit district.

- 2. Why are our transit taxes paid directly to our transit district?**

The law allows the State Treasurer to pay these taxes directly to a public transit district, based on direction from the taxing jurisdiction. This can make for convenient payments but it has also led to confusion regarding financial reporting requirements.

- 3. How do we know what sales taxes our city levies?**

The Utah State Tax Commission can provide that information. You can review various reports on their Sales & Use Tax page (<http://tax.utah.gov/sales>). The various sales and use tax rates, by jurisdiction and option, are listed at <http://tax.utah.gov/sales/rates>. This information should be reviewed to ensure that all taxes imposed by the entity are reported consistent with the auditor alert.

- 4. When does our jurisdiction need to start reporting transit taxes in our reports?**

The reporting error associated with local option sales taxes for transportation was identified in the Office's August 2013 newsletter. The Office allowed for almost a year to come into compliance. As such, that information should be included in audited financial statements and budgets for years ending December 31, 2013 and thereafter. Current budgets should also include this tax revenue and any associated expenditure.

- 5. How should the 1% local option sales tax identified in *Utah Code 59-12-201* be accounted for in relation to this alert.**

A city or town should report as revenue the amount of sales and use tax received from the Tax Commission.

- 6. What impact will this change have on our audit?**

The Office has instructed auditors to ensure that any financial statements (for June 30, 2014 or later) properly include revenues for all sales taxes and any associated expenditures to transit districts. The Office has recommended that auditors do not need to write a finding for any budget that did not properly include the revenues and expenditures for any budget for a June 30, 2014 or earlier. Budgets for the current fiscal year should be amended to properly account for all sales tax revenues and associated transfers, whether received by your jurisdiction or paid on behalf of your jurisdiction to another entity.

Redevelopment Agency Tax Increment

7. A portion of our property tax is paid directly to a redevelopment agency (RDA) by the county auditor. What do we need to report in our budget and financial statements?

Your jurisdiction (city, county, school district, local or special service district) needs to report the revenue generated by the taxes it levies as well as any corresponding expenditures to redevelopment agencies.

8. How should a city that reports their RDA as a blended component unit report tax increment revenue?

The property tax increment received from the city should be reported as "Property Tax Revenue" in the fund used to report the RDA activity (usually a special revenue fund). The tax increment received from other taxing entities should be reported in the fund used to report the RDA activity using a line description descriptive of its source such as "Tax Increment Revenue" or "Contribution from Other Government".

9. How do we determine how much of our property tax revenue has been paid to a redevelopment agency?

Contact your county treasurer. Some counties have not been collecting sufficient information to determine the amount of tax revenue each taxing jurisdiction is contributing to RDAs. The Tax Commission is working with counties to have this information available by December 31, 2014.

10. When do we need to start reporting RDA tax increment on our financial reports?

The reporting error associated with RDA tax increment was identified in July 2014. We are allowing approximately six months for jurisdictions to come into compliance (by December 31, 2014).

For any jurisdiction whose RDA-related payment information is available from your county, we encourage immediate adoption of a revised budget with the necessary addition of the tax increment revenue and the associated expenditure. We also encourage the inclusion of that information in the June 30, 2014 year-end financial statements and other financial reports.

If your jurisdiction's RDA-related payment information is not yet available, the Office encourages compliance as it becomes available. However, the Office will reject audit reports that do not include the proper property tax increment distributed to RDAs beginning with reports for years ending December 31, 2014 and thereafter.

School districts should not begin reporting RDA tax increment revenue and expenditures until the year ending June 30, 2015. This will allow all school districts to implement the change at the same time and eliminate any adverse impact on state assistance funding.

11. What impact will this change have on our audit?

Independent auditors should ensure that any financial statements (for December 31, 2014 or later) properly include revenues for tax increment revenues and associated expenditures. Budgets for the current fiscal year should be amended to properly account for all tax increment revenues and expenditures, whether received by your jurisdiction or paid on behalf of your jurisdiction to one or more RDAs.

We encourage jurisdictions to include tax increment information as quickly as it becomes available. The Office recommends that auditors do not report findings associated with early adoption of our recommendations and early disclosure.

General Note

This document will be revised as additional questions arise and additional explanation is required. For the most current FAQs check our website at: auditor.utah.gov/local-government/audit-alerts/