

**SEMINOLE COUNTY
RESOURCE MANAGEMENT
DEPARTMENT**

**SPECIAL REVIEW OF
PUBLIC SERVICE TAX ON
PROPANE GAS**

REPORT NO. 040913

APRIL 2013

Prepared by:
The Office of the
Clerk of the Circuit Court



MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

April 9, 2013

The Honorable Bob Dallari,
Chairman
The Board of County Commissioners
Seminole County, Florida
1101 East First Street
Sanford, FL 32771

Dear Mr Chairman:

I am very pleased to present you with the attached special review of the public service taxes collected relating to propane gas.

Corrective actions plans are being implemented by Resource Management that will address the recommendations noted in the report.

I would like to acknowledge the assistance of the county staff for their cooperation and assistance throughout the course of this review. The assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

cc: Ms. Brenda Carey
Mr. Lee Constantine
Mr. Carlton Henley
Mr. John Horan

BCC Records

DISTRIBUTION LIST

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**SPECIAL REVIEW OF PUBLIC SERVICE TAX
ON PROPANE GAS**

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**The Office of the Clerk of the Circuit Court
Special Review of
Public Service Tax on Propane Gas**

PURPOSE

This review was performed specifically to determine if the county has administrative controls to ensure that taxes were collected properly in accordance with both the applicable Florida Statutes as well as the Seminole County Code.

BACKGROUND

There are two types of propane sold throughout unincorporated Seminole County: (1) home or business delivery; and, (2) a consumer buys directly from a community retailer.

There are also two very broad laws that provide the necessary authority to the county to charge the tax. The first is Florida Statute (FS) Section 166.231 (1) (a) which states in part:

"A municipality may levy a tax on the purchase of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, and water service."

To complement this law, the BCC enacted Code Section 245.102 (a) which states in part:

"There is hereby levied and imposed by the County within the unincorporated area of Seminole County, Florida, a public service tax upon each and every purchase of electricity, metered or bottle gas (natural liquefied petroleum gas or manufactured), water service and telecommunication service. The tax shall be in an amount equal to four percent of the payment received."

Resource Management maintains on-line information and remittance forms on the county's website (www.seminolecountyfl.gov/fs/msbu/utility_tax_info.aspx).

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The website also has complete filing instructions for compliance with this directive.

County Finance receives the tax money paid, deposits it to the bank account, and, records the payment in the county's general ledger.

In the report that follows, we have included our comments on the collection of this tax; specifically addressed are the amount of money that is not being collected.

SCOPE OF WORK

The scope of this review included, (1) identifying all retailers selling propane in Seminole County, (2) determining which sellers filed utility tax remittance forms filed for the year ending December 31, 2011 and, (3) obtaining payment from those who had not filed.

The review included:

- Analysis of relevant Florida Statutes and County Code;
- Search of internet "yellow pages" for propane dealers;
- Obtaining Florida Department of Agriculture licensed dealers list;
- Sampling of tax forms received;
- Contact with dealers;
- Interviews with County Finance and Resource Management; and,
- Obtaining utility tax remittance forms from non-compliant dealers.

The review was performed by the Office of the Clerk of the Circuit Court.

OVERALL EVALUATION AND FINDING

The internal controls to ensure compliance with the Code are not adequate and/or not effective.

56 of 82 (68%) of the entities selling propane gas within unincorporated Seminole County were not reporting their sales to the county, nor were they remitting any of the taxes due.

This office submitted letters to those entities that had not been reporting or paying their tax owed and we requested payment for the taxes not remitted for the last three years. As a result of making these written requests and by making personal visits to the locations, an additional \$77,137.90 was collected. There are still 6 very small companies that have not reported their taxes; we estimate another \$1,000 in taxes is owed the county.

Recommendation

1. Establish an enforcement program to ensure compliance with County Code 245.
2. Annually, request a list of licensed propane dealers in Seminole County and surrounding counties from the Department of Agriculture. Reconcile the list with the county's record of suppliers.

Management Response

(To Recommendation #1)

Resource Management is exploring enforcement alternatives that would be cost effective and provide for an efficient process to benefit the collection of all public service taxes. Our compliance monitoring process currently in place for public service tax (PST) retailers will be updated and prioritized within the annual revenue maintenance program. Public Service Tax record maintenance of propane retailers' will be conducted by the end of November each year. This will allow us to timely account for delinquent revenue collections in the correct fiscal year before the books close and to update our database with newly identified businesses for the new budget year.

Currently we track and monitor on a regular basis all major retailers responsible for the collection of public service tax within unincorporated Seminole County for electric, water, and natural gas services; and most major

retailers responsible for propane gas services. Of the PST collected during the first quarter of FY 2012/13 from propane retailers, 65% of the revenue was generated by 3 companies. More than 70 companies generate approximately \$45-50K in annual propane PST revenue. It is extremely labor intensive to track these smaller retailers on a monthly basis but we will monitor the companies annually and perform annual searches for new propane retailers to Seminole and surrounding Counties.

(To Recommendation #2)

We will request an annual list of licensed propane dealers during the month of November from the Department of Agriculture and work with County Finance in establishing a process of reconciling the list with County records.