



Legislation Text

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971255

ORIGINAL

THE CHAIR

Resolution authorizing the City Treasurer to deposit up to \$250,000 with the State of Wisconsin Department of Revenue while the City appeals a Sales Tax Levy. (Comptroller)

Analysis

This resolution authorizes the City Treasurer to deposit up to \$250,000, with the State Department of Revenue while the City appeals a sales tax determination to minimize potential future liability to the City for interest and penalties, 12% per year or 18% per year for delinquent taxes for an unfavorable determination and provide a reasonable rate of return, currently 9% for a favorable determination.

Whereas, The State Department of Revenue conducted a Sales and Use tax audit of the City's Sales Tax collections for the period January 1, 1993 - December 31, 1996; and

Whereas, The State Department of Revenue subsequently issued a Notice of Field Action on September 3, 1997 and assessed the City Sales and Use Tax, including interest and penalties of \$225,622 for sales tax on four items including towing fees; and

Whereas, The City settled sales tax assessed on all items except for towing fees and requested the City Attorney to file an appeal as provided by the State; and

Whereas, The City Attorney notified the City Comptroller that the State appeals process permits the deposit of the amount of the assessment to stop the accumulation of interest at 12% per year and provides for interest at 9% per year on the amount deposited if the City is successful in its appeal; and

Whereas, The appeal process as outlined by the State could be a lengthy process which if not determined in the City's favor could result in substantial additional interest due on the assessment; and

Whereas, The City Treasurer cannot deposit funds with the State as a permitted investment but could place a deposit with Common Council approval; and

Whereas, It is in the City's best interest to deposit the funds since the interest to be paid by the State under a favorable determination is consistent with current earnings potential by the City Treasurer; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that the City Treasurer is hereby authorized and directed to deposit up to \$250,000 with the State Department of Revenue from available cash balances until a final determination on the sales tax liability is determined ; and be it

Further Resolved, That the funding to cover the sales tax assessment be provided after all appeals have been exhausted or a determination by the Common Council is approved to settle this assessment after conferring with the City Attorney.

City Comptroller
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11/18/97