

City of Galveston
SALES-2021-1 / SALES-2021-2 / SALES-2021-3 / SALES-2021-4
Commercial Repair/Remodel Sales Tax Revenue
City Auditor Executive Summary

December 31, 2020

BACKGROUND

Pursuant to the Texas Comptroller of Public Account's Publication 94-116 (06/2016) a service provider who repairs or remodels nonresidential real property should collect state sales tax plus any local sales tax on the total charge for the job. This figure includes all costs passed on to the customer except separately stated building permit fees paid on the customer's behalf. Local sales tax are to be collected for labor and materials based on the location of the job site.

A service provider who performs new construction jobs under separated contracts must issue its suppliers resale certificates and then collect state sales tax plus any local sales tax on the charges for materials. The local sales tax on the separately stated charges for materials is based on the location of the job site. Also, the charges for the materials must be at least as much as the service provider paid for the materials.

OBJECTIVES

The objective of this summary is to determine if the appropriate state and local sales tax, if any, was collected and remitted on Commercial Repair/Remodel construction jobs.

SCOPE

The audit scope included documentation from October 1, 2019 thru September 30, 2020 for Commercial Repair/Remodel permits. The geographical scope is the local taxing jurisdiction for the City of Galveston.

METHODOLOGY

To accomplish our Audit Objectives we performed the following steps:

- Provided proof that the job was non-residential by documenting the description of the building permit and physical inspection.
- Provided proof that the job was a Repair/Remodel by documenting the building permit and project description.
- Provided proof that the job was not part of a Governmental Unit, Non-Profit Organization, or National Heritage Register through documentation of the Appraisal District certifications.
- Provided proof that the Property Owner (Customer) did not include the taxable construction costs as taxable purchases on its Sales and Use Tax Report by analyzing the applicable Confidentiality Report.

SUMMARY RESULTS

Overall, we identified \$170,097 in Sales Tax revenue to the State of Texas and \$54,431 in Sales Tax revenue due to the City of Galveston. Total Project Costs equaled \$2,721,551 and has already been collected as of the date of this report. This report accomplishes the full

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amount of Sales Tax Audits required to be performed by the City Auditor's Office for the 2021 Fiscal Year City Auditor's Audit Plan.