

# City of Galveston

## Construction Industry Municipal Sales Tax Revenues

### City Auditor Executive Summary

March 2, 2022

#### **BACKGROUND**

The City Auditor's Office began performing Sales Tax Audits on the construction industry within the Galveston city limits in the fiscal year 2017. These audits were designed to gather information vital in securing local sales tax revenues for the City of Galveston from out-of-town contractors in the construction industry. The City Auditor's Office sends this information to The Audit Division of The Texas State Comptroller, again subject to a state sales tax audit. The Texas State Comptroller collects and remits these additional municipal sales taxes to the City of Galveston in their monthly distributions under the caption "AUDIT COLLECTIONS."

#### **OBJECTIVE**

The objective of this executive summary is to determine the effect that the municipal sales tax audits performed by The City Auditor's Office have had on the overall construction industry's sales tax revenues within the Galveston city limits.

#### **SCOPE**

Our scope comprises the documentation of the monthly sales tax distributions to The City of Galveston for the 22 construction industry sectors prepared by The Texas State Comptroller between the fiscal years of 2013 and 2021.

#### **METHODOLOGY**

To accomplish our objective, we performed the following steps:

- The City Auditor's Office analyzed the average monthly sales tax collections for the 22 construction industry sectors in the City of Galveston from 2013 to 2016. This period corresponds to "before" The City Auditor's Office began municipal sales tax audits. These results are found in Column (1) of Appendix A on page 2.
- The City Auditor's Office analyzed the average monthly sales tax collections for the 22 construction industry sectors within the City of Galveston for fiscal years 2019 to 2021. This period corresponds to "after" The City Auditor's Office began municipal sales tax audits. These results are found in Column (2) of Appendix A on page 2.
- The City Auditor's Office determined the increase or decrease in the average monthly sales tax collections between the periods "before" and "after" the commencement of construction industry municipal sales tax audits. The City Auditor's Office calculated this by comparing Columns (1) and (2) of Appendix A and entering the results in Column (3). Please see footnote (6) of Appendix A on page 2 as well.

#### **SUMMARY RESULTS**

The results based upon the methodology used confirm an increase in the total average monthly sales tax collections for the overall construction industry within the Galveston city limits of \$27,192.82 "after" The City Auditor's Office began performing municipal sales tax audits. This equates to a combined three-year aggregate increase of \$978,941.52 for the fiscal years between 2019 and 2021.

**APPENDIX A**  
**COMPARISON OF AVERAGE MONTHLY SALES TAX COLLECTIONS**  
**PER CONSTRUCTION INDUSTRY SECTORS**

Description of Construction Sector	(1)	(2)	(3)
	Average Monthly Sales Tax Collections " <u>Before</u> " Sales Tax Audits	Average Monthly Sales Tax Collections " <u>After</u> " Sales Tax Audits	Average Monthly Sales Tax Collections Increase (Decrease)
New Single-Family Housing (Except For-Sale Builders)	\$ 83.71	\$ 118.53	\$ 34.82
New Multifamily Housing (Except For-Sale Builders)	\$ 4.03	\$ 6.13	\$ 2.10
Residential Remodelers	\$ 422.58	\$ 1,519.31	\$ 1,096.73
Commercial Building Construction	\$ 6,579.07	\$ 13,814.93	\$ 7,235.86
Poured Concrete Foundation - Structure Contractors	\$ 137.62	\$ 373.57	\$ 235.95
Structural Steel and Precast Concrete Contractors	\$ 24.36	\$ 28.08	\$ 3.72
Framing Contractors	\$ 0.00	\$ 80.14	\$ 80.14 (4)
Glass and Glazing Contractors	\$ 1,097.85	\$ 1,203.07	\$ 105.22
Roofing Contractors	\$ 106.16	\$ 712.61	\$ 606.45
Other Foundation, Structure - Exterior Contractors	\$ 126.40	\$ 156.01	\$ 29.61
Electrical Contractors and Other Wiring Contractors	\$ 1,210.46	\$ 3,502.61	\$ 2,292.15
Plumbing, Heating, and Air-Conditioning Contractors	\$ 2,704.66	\$ 5,309.45	\$ 2,604.79
Other Building Equipment Contractors	\$ 180.90	\$ 625.99	\$ 445.09
Elevator Contractors	\$ 919.30	\$ 2,121.89	\$ 1,202.59
Drywall and Insulation Contractors	\$ 1.71	\$ 320.00	\$ 318.29
Painting and Wall Covering Contractors	\$ 28.44	\$ 69.41	\$ 40.97
Flooring Contractors	\$ 726.91	\$ 399.15	\$ (327.76) (5)
Finish Carpentry Contractors	\$ 205.60	\$ 222.47	\$ 16.87
Overhead Doors	\$ 505.97	\$ 598.77	\$ 92.80
Site Preparation Contractors	\$ 679.58	\$ 2,117.67	\$ 1,438.09
All Other Specialty Trade Contractors	\$ 1,536.42	\$ 3,071.50	\$ 1,535.08
Nonresidential Specialty Trade Contractors	\$ 838.02	\$ 8,941.28	\$ 8,103.26
	\$ <u>18,119.75</u>	\$ <u>45,312.57</u>	\$ <u>27,192.82</u> (6)

(1) This Column Lists the Average Monthly Sales Tax Collections for the Fiscal Years Ended 2013 / 2014 / 2015 / and 2016 per Construction Sector. These Fiscal Years are "Before" Sales Tax Audits began.

(2) This Column Lists the Average Monthly Sales Tax Collections for the Fiscal Years Ended 2019 / 2020 / and 2021 per Construction Sector. These Fiscal Years are "After" Sales Tax Audits began.

(3) This Column Lists the Average Increase (Decrease) of Monthly Sales Tax Collections "After" Sales Tax Audits began per Construction Sector.

(4) Framing Contractors were Reporting Zero Sales Tax "Before" Sales Tax Audits began.

(5) Flooring Contractors is the Only Construction Sector that has Decreased "After" Sales Tax Audits began. The Reason for this is not known at this time.

(6) Total Average Monthly Sales Tax Collections for Construction have Increased by \$27,192.82 "After" Sales Tax Audits began for a Combined Three Year Aggregate Amount of \$978,941.52.