



# Tax & License Audit Team

April 2024

# Background

- City has the authority to license and collect business taxes
- Olympia operates under voluntary compliance
- Current tax and license programs:
  - 1 FTE
  - < 5% of time is available for audit efforts
- Underlying drivers for audit team:
  - Growth in taxpayer base
  - Growth in number of businesses out of compliance
  - Need for fairness in business taxes



# The Road Here



# Indicators

Change in Activity from 2019 to Current	2019	2022	Diff	% Chg
Active Business Licenses	8,800	11,480	2,680	30%
B&O Tax Filings Submitted	6,280	6,377	97	2%
% of B&O Filers to All Active	71%	56%		

\*All businesses must submit tax return (even if a zero-dollar filing)

# Other Relevant Information

- **Audit Program:**
  - Washington cities' model tax code provides basic audit authority
  - Code review of other cities indicates needed tweaks to our code
  - Cities with audit programs:
    - Report significantly improved voluntary compliance
    - Fund their annual costs
- **E-filing Options:**
  - Dearth of e-filing solutions for city taxes
  - We looked at them all - limitations could not outdo status quo
  - A chance comment in tax meeting led to superb alternative



# Program Overview

- **Compliance**
  - Check that businesses get licensed
  - Check that businesses file their taxes
  - Work with businesses to come into compliance
- **Outreach and Education**
  - Close the knowledge gap
  - Provide additional information to help businesses comply
- **Auditing**
  - Check that businesses file correctly
  - Work with businesses to correct misfilings

## Will not...

- Increase tax rates
- Add new taxes
- Increase requirements
- Make it harder for businesses to comply

# Program Estimates

<b>Tax &amp; License Audit Team</b>	<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4+</b>
Tax Revenue Increase	\$ 600,000	\$ 950,000	\$ 1,140,000	\$ 1,010,000
Program Expenses	\$ 557,000	\$ 580,000	\$ 620,000	\$ 670,000
<b>Net</b>	<b>\$ 43,000</b>	<b>\$ 370,000</b>	<b>\$ 520,000</b>	<b>\$ 340,000</b>

## Year 1 Expenses

2 FTE Auditors	\$ 280,000
1 FTE Program Assistant	\$ 110,000
Professional Services & Supplies	\$ 80,000
Education & Outreach	\$ 50,000
Start-up costs (year 1 only)	\$ 22,000
Reclass Accountant	\$ 15,000
<b>Total Y1 Expenses</b>	<b>\$ 557,000</b>



# Online Tax Filing

- Collaboration with City of Bremerton (BOLTS system)
  - Website access, data secure within their City servers
  - Register immediately using UBI and City Business Number
  - Complete simple form for easy tax filing
    - All business taxes on same form (B&O, Utility, Gambling, etc.)
    - Requires explanation of deductions
    - One-button click to payment site
    - Provides PDF of final return to business
  - Uses 3<sup>rd</sup> party vendors Microflex, Paymentus
- Conversation with our IT has taken place, we are beginning to investigate taking this system on

# Bremerton Online Tax & License System (BOLTS)

- The benefits we see are:
  - Clean, simple for taxpayer
  - Transition from paper to electronic
  - Uses programs and vendors we already have
  - Internal reconciliation simplified by >>50%
  - Proven success for City of Bremerton
  - Businesses love it

# BOLTS, cont'd

The image shows two panels from a web application. The top panel is titled 'Edit Login Information' and contains three links: 'Edit Email', 'Change Password', and 'Update Contact Info'. A green button labeled 'EDIT LOGIN INFORMATION' is positioned at the bottom right of this panel. The bottom panel is titled 'WISCHHOEFER & WISCHHOEFER' and displays the following information: 'Account No.: 16628', 'Tax Id: 601342945', 'DBA: WISCHHOEFER CONSTRUCTION', and 'Business Description: GENERAL CONTRACTOR'. At the bottom of this panel are three green buttons: 'File Tax Returns Online / Phone / Mail', 'Edit Business Information', and 'Close Business'.

**Edit Login Information**

Edit Email  
Change Password  
Update Contact Info

**EDIT LOGIN INFORMATION**

**WISCHHOEFER & WISCHHOEFER**

Account No.: 16628  
Tax Id: 601342945  
DBA: WISCHHOEFER CONSTRUCTION  
Business Description: GENERAL CONTRACTOR

**File Tax Returns  
Online / Phone / Mail**      **Edit Business  
Information**      **Close  
Business**

NOTE: This is artificial data utilized by Bremerton for demonstration

# BOLTS, cont'd

**BREMERTON BUSINESS TAX RETURN INFORMATION**  
(Please be sure name and address are correct. Questions? (360) 473-5298)

WISCHHOEFER & WISCHHOEFER  
7736 RITA RD NE  
BREMERTON WA 98311-4007

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Account/License No.  Tax Period  Date Due

Business Classification	Gross Amount <small>(In Bremerton)</small>	Deductions <small>*** (explain below) ***</small>	Exemptions <small>exemptions remaining for 2023 \$1,020,000.00</small>	Taxable Amount	Rate	Tax Due
01 Retail (B&O)	Retail Gross <input type="text" value="1500000"/>	Retail Deduction <input type="text"/>	Retail Exemption <input type="text"/>	Taxable Amount <input type="text" value="1500000.00"/>	0.00125	Retail Tax Due <input type="text" value="1875.00"/>
02 Wholesale(B&O)	WS Gross <input type="text"/>	WS Deduction <input type="text"/>	WS Exemption <input type="text"/>	Taxable Amount <input type="text" value="0.00"/>	0.0016	WS Tax Due <input type="text" value="0.00"/>
03 Service (B&O)	Service Gross <input type="text"/>	Service Deduction <input type="text"/>	Service Exempti... <input type="text"/>	Taxable Amount <input type="text" value="0.00"/>	0.002	Service Tax Due <input type="text" value="0.00"/>
04 Manufacturing	Man. Gross <input type="text"/>	Man. Deduction <input type="text"/>	Man. Exemption <input type="text"/>	Man. Amount <input type="text"/>	0.0016	Man. Tax Due <input type="text"/>

NOTE: This is artificial data utilized by Bremerton for demonstration

# BOLTS, cont'd



**CITY OF BREMERTON  
Tax & License Division**

345 Sixth Street, Suite 100  
Bremerton WA 98337-1891  
Phone: (360) 473-5311 Fax (360) 473-5300  
www.bremertonwa.gov email: taxinfo@ci.bremerton.wa.us

**BUSINESS TAX RETURN**

WISCHHOEFER & WISCHHOEFER  
7736 RITA RD NE  
BREMERTON WA, 98311-4007

Questions?  
(360) 473-5311

Account/License No.

**16628**

Tax Period  
**Annual 2023**

Date Due  
**April 30, 2024**

Be sure name & address are correct.

Business Classification		Gross Amount	Deductions	Exemption	Taxable Amount	Rate	Tax Due
01 Retail	(B&O)	1,500,000.00	100.00	1,020,000.00	479,900.00	0.00125	599.88
02 Wholesale/MFG	(B&O)				0.00	0.0016	0.00
03 Service	(B&O)				0.00	0.002	0.00
04 Manufacturing	(B&O)				0.00	0.0016	0.00
09 Amusement Device/Games					0.00	0.02	0.00
10 Punchboard/Pulltab (profit)					0.00	0.03	0.00
11 Punchboard/Pulltab (non-profit)					0.00	0.1	0.00
12 Card Rooms (Player Backed)					0.00	0.1	0.00
13 Card Rooms (House Backed)					0.00	0.02	0.00
14 Bingo/Raffles					0.00	0.05	0.00
16 Other Gambling					0.00	0.1	0.00
21 Parking Lot					0.00	0.15	0.00
23 Electric					0.00	0.06	0.00
24 Gas					0.00	0.06	0.00
25 Telephone					0.00	0.06	0.00
26 Garbage Utility					0.00	0.095	0.00

NOTE: This is artificial data utilized by Bremerton for demonstration

# Program Performance

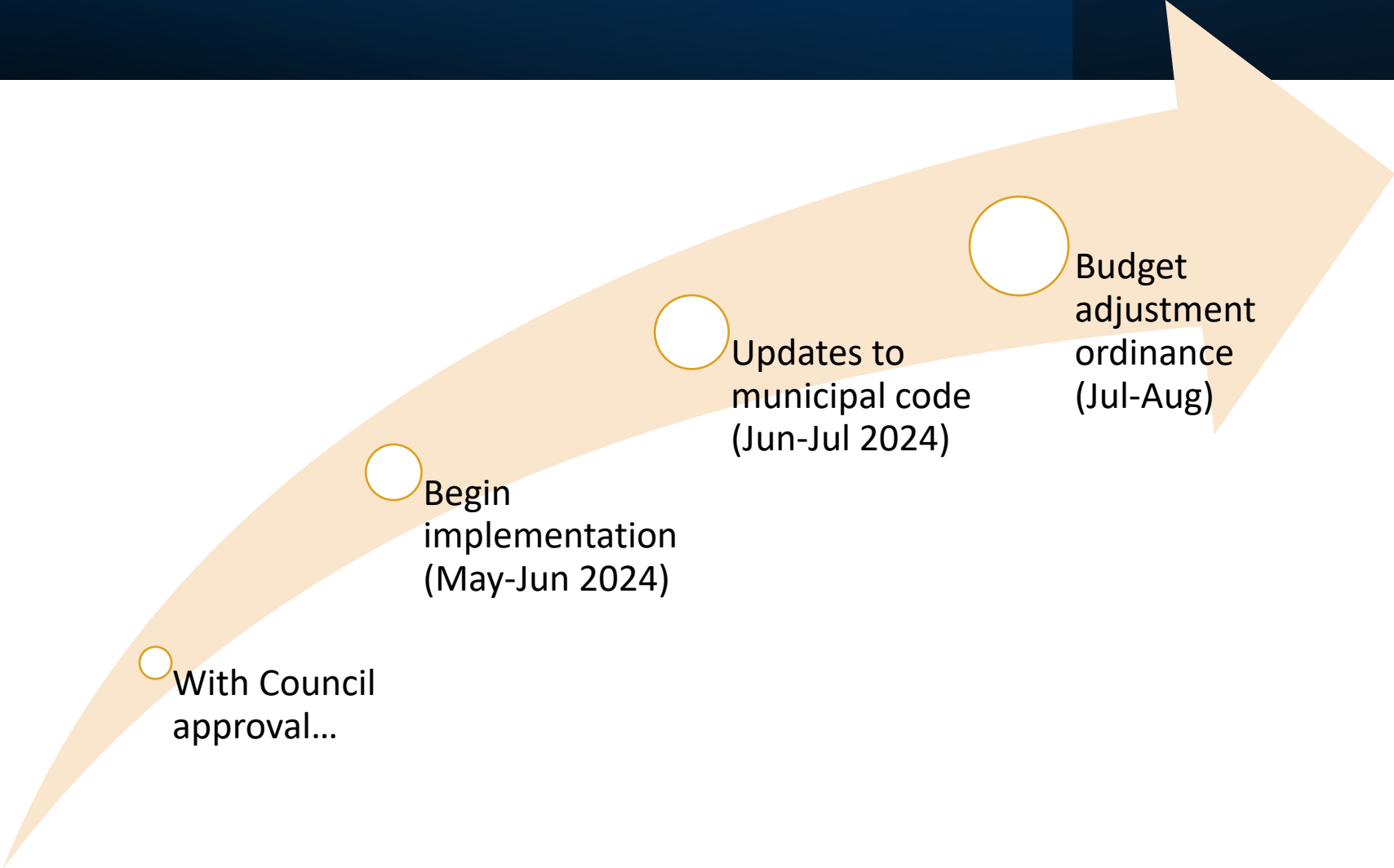


Initial planned program focus will be:

- **Audit Targets:** Establish methods and procedures
- **Data and Resources:** Identify what we need for effective audit and outreach
- **Outreach & Educate:** Conduct outreach and education opportunities to businesses
- **Compliance:** Identify and address unlicensed businesses, required tax filings



# The Road Forward



NOTE: There is a parallel track to examine taking on the BOLTS (e-filing) system for Olympia

# Q&A

