

Difference in Receipts Prop A vs. Prop C Fiscal Year 2014

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Metro

Question

Why was more revenue collected for Prop C than Prop A in fiscal year 2014?

Answer

Difference is due to a prior period audit adjustment.

Background

- The Board of Equalization (BOE) conducted a field audit of two (2) construction contractors.
- Contractors purchased materials in San Bernardino & Orange Counties and paid the vendors the ½% transaction tax.
- Contractors used the materials in Los Angeles County. Per regulations, a 1.5% district tax is due based on use and location of installation. The 1.5% tax was due Los Angeles County.
- The contractors were given credit for the ½% tax already paid and owed the difference of 1%.

Audit allocation

- Per Regulation 1823 (b)(1)(E), the ½% credit is to be applied to the earliest enacted taxes, followed by the next earliest, and so on until the credit is used up.
- In this case, the ½% credit from San Bernardino and Orange Counties' district taxes were applied to Prop A because it's the earliest.
- The entire ½% credit was used up by Prop A and Prop C and Measure R are now due.
- When the 1% tax payment was collected, the ½% tax was applied to the second earliest, Prop C and the other ½% to the next earliest, Measure R.

Difference In Receipts- Prop A vs Prop C

Conclusion

The differences between Prop A and Prop C are regularly related to audits adjustment regardless of the audit period. When there are credits, they are applied first and then the payments resulting in a timing difference.

Note:

In order to maximize receipts, Metro is proactive and uses the services of an external auditor to review sales tax receipts from each measure quarterly. They prepare audit findings to the BOE. Some of those are denied because the BOE had already found them and some are approved and processed with current quarter receipts.

QUESTIONS AND ANSWERS