

M E M O R A N D U M

TO: Town Commission
FROM: Howard Tipton, Town Manager
REPORT DATE: October 24, 2024
MEETING DATE: November 4, 2024
SUBJECT: Memorandum of Understanding (MOU) with Sarasota County Property Appraiser for Contingency-Based Audit

Recommended Action

Authorize the Mayor to execute the MOU with the Sarasota County Property Appraiser.

Background

In 2015, Sarasota County Property Appraiser Bill Furst reached out to the County and the four municipalities with a plan to uncover homestead tax exemption fraud. Mr. Furst requested each jurisdiction to enter into an MOU to allow the Property Appraiser's Office to employ a vendor specialized in assisting governments in identifying and investigating potential fraudulent homestead exemptions.

Tax Management Associates (TMA) is the auditor engaged by the Sarasota County Property Appraiser. TMA exclusively serves governments throughout the United States since 1979 and is unique in its ability to provide these audits. Sarasota County Procurement attempted to locate comparable vendors without success. Furthermore, Brevard County issued an RFP for the same services and TMA was the lone respondent. The data TMA provides to the Sarasota County Property Appraiser is reviewed and is up to the Property Appraiser to accept or reject the investigation reports and proceed through statutory channels to enforce Florida law.

The Sarasota County Property Appraiser could then recover ad valorem property tax revenue that would otherwise be unbilled and uncollected. This means that properties that had been improperly benefitting from homestead exemptions and paying reduced taxes would then be paying their full fair share going forward and up to 10 years back taxes, depending on the scope of the infraction.

The auditor would also seek to identify property owners who appear to qualify for a homestead exemption but have not made an application for those exemption benefits. They would then be contacted to educate and assist them in applying for the benefits they are entitled to receive.

At the May 15, 2015, Regular Meeting the Town Commission authorized execution of a MOU with the Sarasota County Property Appraiser for a contingency-based homestead exemption audit. Under the 2015 terms the taxing authorities received 70% of the recovered revenues, and the contingency-based auditor received 30% of recovered revenues related to homesteading exemption liens.

The Property Appraiser provided information related to the 2015 MOU indicating:

- 36 identified parcels in Longboat Key (Sarasota County only)

- our share of recovered funds of \$175,499
- taxable value returned to the roll (cap) \$28,406,331 and
- taxable value returned to the roll (exempt amount) \$14,592.000
(These values reflect the original 2015 MOU through March 2022)

We were contacted on March 9, 2022, by the Property Appraiser who proposed a new MOU that continued the contingency-based homestead exemption audit and increased the percent of recovered revenue received to 76.5% of recovered revenues and the auditor receiving 23.5% capped at a maximum of \$25,000 per instance of satisfied homestead lien.

The MOU for the Property Tax Exemption Audit described above, executed on April 5, 2022, remains in effect through December 31, 2027.

On September 12, 2024, the Property Appraiser requested consideration of a new MOU, similar in form and function as the current MOU, utilizing the same vendor and auditing a different class of property owners. This program would audit tangible personal property (TPP), which is furniture, fixtures, and equipment used in the operation of a business.

This audit entails more responsibilities, including performing on-site visits, appearances at meetings with taxpayers, and related appeals hearings and court proceedings associated with a value challenge. For that reason, the taxing authority would receive 65% of recovered revenues (taxes, penalties, and interest) and the contingency-based auditor would then receive the balance.

Staff Recommendation

Authorize the Mayor to execute the MOU with the Sarasota County Property Appraiser.

Attachments (Available in the Town Clerk's Office)

- A. Letter of 9-12-24, Bill Furst, Sarasota County Property Appraiser to Town Manager
- B. Memorandum of Understanding for Contingency-Base Audit

End of Agenda Item