

**IN THE CIRCUIT COURT OF THE ELEVENTH JUDICIAL CIRCUIT
OF FLORIDA IN AND FOR THE COUNTY OF MIAMI-DADE**

**FINAL REPORT
OF THE
MIAMI-DADE COUNTY GRAND JURY**

SPRING TERM A.D. 2010

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FILED

February 7, 2011

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**Bailiff
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**DECREASE FLORIDA'S BUDGET DEFICIT;
INCREASE COMPLIANCE OF MERCHANT'S REMITTING SALES TAX TO DOR**

I. INTRODUCTION

Every one of us who walks into a Florida furniture show room, convenience store, car lot or restaurant and makes a purchase will pay sales tax on top of the price of the merchandise or meal we purchase. Merchants collect that sales tax from us on behalf of the State of Florida. They are supposed to remit the taxes they collect to the state. Instead, many of them are getting rich by putting our money in their pocket.

This Grand Jury chose to conduct an investigation of Florida's tax collection system. We wanted to examine the process, determine whether the collection processes were effective and make recommendations if we saw any areas that needed improvement. During our investigation we discovered that a number of merchants all over the state are pocketing tax money they have collected from their customers. In this report we (1) discuss how taxes (primarily sales and use taxes) are collected in Florida; (2) make recommendations to the Florida Legislature, the Department of Revenue and Florida citizens on what each of them can do to increase the amount of tax that is being collected and captured by DOR; and (3) propose changes to the system that we hope will increase the detection, arrest and prosecution of tax cheats.

A. Florida's Budget Woes

In these harsh economic times, Florida has suffered as have many other states. Unfortunately, when the housing bubble burst, Florida was one of the states leading the nation in property value de-valuation and the number of foreclosure cases being filed. A recession, coupled with high unemployment rates across the country also resulted in a drop in our tourism. For at least the past five (5) years, this combination of factors has resulted in major budget deficits locally and statewide.

The overwhelming majority of Florida's state employees have not had a raise or Cost of Living Adjustment (COLA) in more than five (5) years. Moreover, in these harsh economic times, a number of state employees actually had their salaries cut. The immediate future does not look any brighter.

According to estimators, Florida will face a massive budget deficit of \$3.8 billion as the Florida Legislature begins its next legislative session to plan the state's budget for Fiscal Year 2011-2012 (FY 2011-12). The budget deficit for the prior fiscal year (FY 2010-11) was also massive and more than \$3 billion dollars. Federal stimulus dollars were used in the prior fiscal year to help shore up the deficit and postpone major budget cuts. Those federal funds will not be available this year.

As a practical matter, the size of Florida's budget deficit is directly related to how much tax money is collected by the state. Therefore, if the state is able to increase the number of merchants collecting taxes, increase the number of merchants remitting the taxes they have collected and increase enforcement efforts to collect unpaid and underreported sales tax, our budget deficits could be significantly reduced. We have made recommendations herein that, if implemented, we believe will achieve that result.

General revenue, which consists primarily of sales tax collections, is the main building block of our state budget. Florida's Department of Revenue ("DOR") is the entity that collects the taxes that pay for the state and local government services Floridians depend on. In addition to services, the taxes DOR collects pays salaries for school teachers, correction officers, prosecutors, defense attorneys, judges and law enforcement officers. Tax money also is used to build and repair roads and provide social services for our most vulnerable populations, our children and our elderly. Absent effective collection efforts, budget deficits will continue to increase resulting in statewide cuts to salaries, benefits, services and personnel.

B. DOR's Collection Process – The Good, The Bad and The Ugly

With its main office in Tallahassee, DOR has five (5) regional offices spread throughout the state. Working together, they administer 32 taxes and fees, including sales tax, use tax, unemployment tax, communications services tax, corporate income tax, fuel tax and others. The duties, task and responsibilities of DOR and its more than 5,000 employees include the following:

- Register businesses for the collection of taxes
- Receive and deposit tax dollars
- Review tax returns and notify taxpayers of errors

- Help taxpayers with questions and problems
- Audit taxpayers to ensure compliance with the law
- Investigate tax fraud
- Collect overdue taxes
- Process tax refunds¹

If business owners and merchants follow the law, they register to collect sales and use tax before they start their businesses. Thereafter, they file their tax returns advising DOR of the total amount of sales tax they have collected and remit those funds to DOR. Many of them do that. Unfortunately, a number of registered sales tax dealers who file their returns fail to timely remit the sales taxes they have collected to DOR. That failure results in a delinquency and starts a very time consuming and labor intensive process. Eventually, DOR usually recovers those delinquent funds.

Other merchants register with DOR and collect sales and use tax at their businesses. They also file their tax returns and submit payments. However, their returns intentionally underreport the total amount of sales tax they collect from consumers. This is a more troublesome scenario as DOR has no idea of the difference between what the merchant collects and what the merchant reports.

Some of the sales tax dealers have no intent of ever voluntarily remitting the sales taxes they have collected from Florida consumers. Often times, they will send in payments using checks drawn on accounts that have insufficient funds or are closed. These cases usually result in felony prosecutions for issuing worthless checks. These criminal prosecutions are separate and apart from any criminal liability that may ensue from the dealers' failure to pay the delinquent taxes.

For severe unpaid delinquencies, DOR may file tax warrants (liens) against the businesses. The warrant can only be used to attach to assets that are the property of the sales tax dealer. DOR's options are limited in these situations. Depending on the nature of the business and the assets owned by the sales tax dealer, DOR may not be able to levy against and seize

¹ http://dor.myflorida.com/dor/opengovt/gta_about_us.html

those assets. DOR would need a place to store the items and would need a venue in which to sell or otherwise dispose of those items. That option is not practical in most cases.

C. Florida's Sales And Use Tax / The Money Belongs To The State

Our report primarily focuses on sales and use tax.² In Florida, generally each sale, admission charge, storage or rental is taxable unless the transaction is exempt. Sales tax is added to the price of taxable goods or services and collected from the purchaser at the time of sale. Business owners whose business activity or products used are subject to sales or use tax are **required** to register to collect sales tax or pay use tax.³

Under state law, sales tax is the property of the state at the moment of collection. In numerous press releases issued over the past year, Lisa Echeverri, Executive Director, Florida Department of Revenue, has been quoted as follows:⁴

"Individuals who collect tax but don't send it in are stealing taxpayer dollars and gaining an unfair financial advantage over honest businesses."

Our residents and consumers are doing their part – they are paying sales tax when they make their purchases. Most assume (and expect) that the tax money they pay to merchants will be used by the legislature to defray the costs of providing services and taking care of Florida's citizens and tourists. The Florida Legislature does not have access to that money if individuals and businesses are pocketing (stealing) the state's money. Because we want this situation to change, we issue this report and recommendations.

II. RECOMMENDATIONS TO THE FLORIDA LEGISLATURE

In these times of massive budget deficits, the Florida legislature has struggled to provide funding that maintains effective levels of services for Floridians. For the past several years, instead of raising taxes or reducing the number of tax exempt industries and services, the legislature chose to cut the budgets and staff of agencies and departments throughout the state.

² We decided to focus on sales and use tax as it comprises the greatest amount of tax collected by DOR. A copy of a pie chart from DOR's website visually demonstrates this point. See the document attached hereto as Exhibit A.

³ http://dor.myflorida.com/dor/taxes/sales_tax.html

⁴ <http://dor.myflorida.com/dor/news/>

There were no sacred cows. Although some departments and agencies fared better than others, every entity received budget cuts. Following these budget cuts, each new fiscal year brought with it additional budget cuts and a new deficit.

DOR has not been spared in this process. In fact, DOR's successive budget cuts have resulted in a loss of funding, a loss of Full Time Equivalent positions (FTEs) and concomitantly, a reduction in staffing. Even with fewer resources and personnel, DOR has been given more duties and responsibilities through new assignments to collect additional categories of Florida taxes.⁵

A. It Is Unwise To Kill The Goose That Lays The Golden Egg

This Grand Jury strongly believes that the Florida Legislature should not treat DOR as just another department or agency. It is vastly different than all the others. It is the only department whose primary mission is to bring in revenue for the state. If DOR does not have sufficient staff and resources to collect as much taxes as possible, the entire state suffers. Having innovative ideas and tools for collection are useless if you do not have the staff or personnel to implement them. If the Florida Legislature increased DOR's budget, it could result in: 1) the hiring of more Revenue Specialists II's and III's who are instrumental in collecting money from delinquent taxpayers; 2) the acquisition of more auditors and investigators who assist in finding and prosecuting taxpayers who are not paying or are underreporting and underpaying their taxes; and 3) the hiring of additional support staff who could help more merchants get registered to collect and remit sales tax. Prior to the budget cuts, DOR had more employees to assist in achieving all three of these goals. There are now fewer employees in each of these categories and some of the former initiatives for achieving the aforementioned objectives can no longer be performed with present staffing levels.

⁵ For instance, collection of unemployment tax was previously performed by employees working with the Department of Labor. Several years ago, those responsibilities and the staff performing those duties were transferred to DOR. Similarly, in the wake of numerous technological advances, the Florida Legislature combined a number of smaller taxes into what is now called a Communications Services Tax. With the high rate of unemployment and the staggering increases in the use of cell phones, air cards, WiFi, etc., just to collect these two taxes (unemployment and communications) takes more time and effort. The department is doing more with less.

B. Prior Initiatives That Were Stopped Due To Budget Cuts

In the past, DOR used various methods to ensure business owners knew about their legal obligation regarding sales and use tax. For instance, there were DOR staff members who would convene meetings in various areas of their region to educate merchants and business owners. Those attending the meeting would share the information with other business owners in the area and word would get around. This hands-on, face-to-face training was effective in getting the word out but is not done anymore because of budget cuts.

Some would say such a program is no longer necessary because of the advent of the internet. In fact, DOR has a very expansive website with a wealth of information, including a tutorial for explaining Florida's sales tax requirements and processes. We disagree with this position for three main reasons. One, everyone does not have internet access and if they do, may not be computer literate. Two, we have three primary languages here in South Florida: English, Spanish and Creole. The tutorial and most of the information on DOR's website is in English. Finally, even if someone speaks English, has a computer and is internet savvy, the availability of all the information is useless if the person does not know that merchants are supposed to collect sales tax and that such information is available.

We discussed that, years ago, DOR had an initiative it referred to as a Subjectivity Group. On certain days during the week DOR employees would target certain zip codes and go door-to-door, knocking on businesses, verifying that business owners were registered, they were displaying their Certificate of Registration and in a timely fashion they were remitting to the state all the sales taxes they had collected. Businesses that had not done so were registered on the spot and instructed on what they needed to do to fulfill their obligations to DOR. Obviously, every unregistered business discovered as a result of this initiative resulted in "new found money" flowing into state coffers. The new money collected as a result of this process (in Miami-Dade County alone, reportedly millions of dollars) was well in excess of the salaries of the DOR employees conducting the initiative. This effective program was another casualty of legislative budget cuts.

The majority of DOR witnesses and all of the Grand Jurors thought this program was so effective that we wanted to come up with a mechanism for allowing the initiative to continue

without any additional staffing and without additional funding. With all of the local colleges and universities in our area, a suggestion was made that DOR use college interns to perform this function. For students seeking to obtain credit for community service, they could work in the community like the DOR employees did in the past.

As we discussed with the DOR employees, DOR could provide the appropriate training and the subjectivity Program could still target specific zip codes. As the internships would require supervision by an actual DOR employee, the DOR employee could take 3 or 4 interns and be available to them out in the field as they go door-to-door to conduct their inquiries. Any new registrants automatically result in a new revenue stream of additional taxes. This program could be replicated in the other regions throughout the state.

We recommend that DOR and the Florida Legislature work together to allow the continuity of the Subjectivity Program through the use of college interns.

We believe DOR should not be put in the position where it is forced to terminate programs and practices that result in capturing taxes that have been collected by merchants. The more money collected, the less the budget deficit. Accordingly, we would encourage the members of the Florida Legislature to remember that DOR is the only department whose sole function is to collect money for the state. It should always be equipped and empowered to collect as much money as possible. Such practice will enure to the benefit of all Floridians.

We recommend that the Florida Legislature not impose further budget cuts to DOR.

We also recommend that the Florida Legislature restore funding and FTEs to DOR so that it can do a more effective job of capturing tax money that has already been paid by Florida consumers.

C. Tax Certain Merchandise At Wholesale Level

In Florida, most sales and use tax is assessed and collected at the retail level. For certain industries, we believe more tax could be collected and captured if the assessment and collection were done on the wholesale level. We believe the legislature should consider changing the point where sales tax is collected for certain items. One example given to us during our investigation was the sale of prepaid phone cards. Sales tax applies to the retail sale of prepaid calling arrangements. "Prepaid calling arrangements" include prepaid phone cards and any other

advance payment for communication services that consist exclusively of telephone calls originated by using an access number, authorization code or other means that may be manually, electronically or otherwise entered and that are sold in predetermined units or dollars. There has been an explosion in the use and sale of these taxable sale items.

An analysis conducted in producing a detailed report of the industry revealed there are approximately 19,000 businesses in Florida selling phone cards and cards for loading time on pre-paid cellular phones. Over 2,000 of those businesses are located in Miami-Dade County. **DOR receives collections from only 2% of those 2,000 businesses.** However, based on the analysis, statewide the sale of phone cards and cards for loading time on pre-paid cellular phones is in excess of a \$40 million a year industry.

We were advised that, as a matter of course, many phone card retailers do not charge sales tax on these purchases because if they do, the consumer will just go to the next seller and buy it cheaper (without the added sales tax). The wholesale distributors of these products are few in number and are known (between 20 and 30). If the tax for this taxable item was assessed at the wholesale level, it would be easier for the distributor to collect, easier for DOR to capture and would most probably result in a much higher capture rate than what is presently being collected by DOR for this industry.

DOR employees advised that a change of this sort has been done in the past. Formerly, the tax on gasoline was assessed at the gas pump and collected at the retail level by merchants operating gas stations. The legislature later changed this practice so that the gas tax was actually assessed on the wholesale level. Now, gasoline tax is collected at the various seaports as the gasoline is transferred from oil tankers to the fuel tanker trucks that transport the gas to the various gas stations.⁶ This simple change allowed for a more efficient and effective collection and capture process of the gasoline sales tax. We believe the same result would ensue if a similar change was made for collection of taxes on prepaid calling arrangements.

We recommend that the Florida Legislature amend the Florida Statutes to permit the collection of sales tax at the wholesale level for prepaid calling arrangements.

⁶ In turn, gas stations recoup this cost by including the tax in the price at the pump.

We recommend that DOR conduct an analysis to determine what other industry groups should have their tax assessments changed from the retail to the wholesale level.

We further recommend that any such proposals from DOR be approved by the Florida Legislature.

III. RECOMMENDATIONS FOR THE DEPARTMENT OF REVENUE

If things operated as they should, everyone who sought to engage in a business that involved the sale of taxable items would contact DOR. DOR would advise them of their legal obligations and get them registered as sales tax dealers. Every newly registered dealer in Florida would be instructed that they are acting as an agent of Florida and must: (1) Collect sales tax on each taxable transaction; (2) Pay use tax on items you use in the business that you purchase tax-exempt or remove from inventory and do not resell; (3) Send the tax you collect and the use tax you owe to the Florida Department of Revenue. You can file and pay online or send a Sales and Use Tax Return (DR-15) with a check and (4) Keep complete and accurate records on all sales and purchases.

The instructions would further advise each registrant that “the tax dollars you collect belong to Florida at the time of collection. You serve as trustee or custodian of these funds until you send them to the Florida Department of Revenue. You must keep accurate records and maintain a separate accounting of these funds.” Thereafter, each registered sales tax dealer would diligently collect all applicable sales taxes. On a regular and timely basis, each dealer would remit all of the sales tax that had been collected.

A. DOR’s Tax Collection is Based On The Honor System: It’s Not Working

Unfortunately, that is not how things operate in the real world. As amazing as it might seem, DOR is operating in a system where in its simplest form, DOR says, tell us how much you collected and then pay us what you told us you collected. If you do not pay us what you told us you owe us then we will use our collection specialists to pursue the delinquencies. DOR does the job it does now where tax collecting, reporting and remittance are all based on the honor system. The phrase “trust but verify” came to mind as we tried to come up with ways DOR

could ensure that more dealers were, in fact, following the honor system. We include some observations and recommendations on how DOR can encourage merchants to be honest.

Our investigation revealed that there are several different categories of tax cheats. We will only focus on three here. In the first group are those who unwittingly do not register, but will collect tax money and not remit it to the state because they are unaware of the legal requirement. The second group consists of those who register, collect tax money and knowingly do not remit the sales taxes to the state. The third group of tax cheats are those who register, collect and remit taxes on a regular basis. However, many in this group intentionally underreport the amount of taxes collected and thereby, intentionally remit money that is significantly below the amount of money they have collected from Florida consumers. All of them are stealing from the state. We believe some of our recommendations below will capture more of those collected taxes and lead to more prosecutions of the tax cheats.

B. Conduct more Investigations of CPA's and Tax Cheats

We were informed during our investigation that some Certified Public Accountants (CPAs) are intimately involved in assisting this third category of tax cheats in perpetuating this fraud on our state. How are the CPAs involved? Many businesses use CPAs to prepare the tax returns (the DR-15s) that are submitted to DOR. For each specific reporting period the DR-15 requires that the preparer enter (1) the amount of gross sales⁷; (2) the amount of exempt sales⁸; (3) calculate the taxable amount⁹; and (4) enter the total amount of tax collected¹⁰. For instance, a CPA preparing the tax return for his convenience store owner client may report \$100,000 dollars in gross sales, of which \$75,000 of that amount were exempt sales, leaving a taxable amount of \$25,000 for that reporting period. The accountant would then enter the total amount of tax collected on the \$25,000 taxable amount.

⁷ The total amount of gross sales does not include tax collected.

⁸ Tax-exempt sales include, but are not limited to, sales for resale, sales of items specifically exempt (for instance food grocery items and medicine), and sales to certain exempt organizations.

⁹ The taxable amount is determined by subtracting total exempt sales from gross sales.

¹⁰ The total amount of sales tax collected is primarily related to the tax on the "taxable amount".

If a DR-15 was submitted with those numbers this grand jury would now be suspicious of those numbers. Why? Industry averages historically demonstrate that for convenience stores the overwhelming percentage of items sold are cigarettes, beer and other alcoholic beverages, all taxable items. The numbers prepared by the accountant and reported in the scenario above (especially the \$75,000 worth of exempt sales for a convenience store) reveal an intentional scheme to underreport and underpay sales tax. Unfortunately, many of the CPAs assisting in these criminal enterprises represent a number of different clients and are engaging in the same practice with many of those clients.

Although the law requires that all of the information be completed on the tax returns, we received information that some accountants working on behalf of businesses submit DR-15s with only the taxable sales (no gross sales number). Instead of rejecting these returns DOR accepts the return and the accompanying payment. We can appreciate DOR's reluctance to reject the receipt of funds; however, this practice must stop. Incomplete returns (and their accompanying payments) should be rejected and sent back with instructions to complete and re-submit the forms. Failure to provide all of the information may be an indication that the taxpayer is underreporting and under paying the sales tax. Requiring the accountant to provide all necessary information may make it more difficult to conceal the fraud and may result in greater compliance (higher payments).

The fraudulent activity of some CPAs is also revealed in other situations. For instance, CPAs prepare DR-15s for their clients on a regular basis. Is it logical (or even in the realm of possibility) that the percentage of the taxable amount to gross sales remains constant for consecutive reporting periods? In other words, if the gross sales for four consecutive reporting periods are \$100,000, \$148,000, \$200,000 and \$176,000, what are the odds that **every** DR-15 submitted by the CPA would have a taxable amount of **exactly** 25% (twenty-five percent) and exempt sales of **exactly** 75% (seventy-five percent), regardless of the amount of gross sales? Any accountant worth his salt would know those results are absolutely impossible.

Some accountants prepare and file returns based on bank account figures only. This can allow the numbers filed in the returns to match the money deposited in the bank, but it also can allow the client to skim tax revenues. However, if a client is supplying financial records to

support numbers like those above, the accountant has to know the financial records and documents are bogus and fraudulent. If the client is not providing financial records to the CPA and is telling the accountant what numbers should be entered into the DR-15, again, the accountant knows (or should know) the data must be wrong. In either scenario, the accountant has committed a crime by knowingly submitting false information to DOR. If the accountant has knowledge that his client is cheating the state by stealing tax dollars, he may also be implicated as a principal and be subject to the same felony charges as his thieving clients. We view these CPAs as thieves and strongly support and encourage their prosecution for white collar crimes and any appropriate Racketeering Influenced Organized Crime (RICO) charges. We were informed that there are known CPAs who have been engaging in these practices on behalf of numerous clients and we are pleased to hear that the first wave of them will soon be arrested. As the accountants represent multiple clients, we expect that a few arrests will result in major capture of funds from many dealers.

We recommend that DOR reject all DR-15s that are submitted without the complete requisite financial information.

We recommend that DOR use available resources to focus criminal investigative efforts on the accountants who are assisting their clients in stealing money from Florida taxpayers.

We recommend that DOR use available resources to ferret out and prosecute all tax cheats who are intentionally and repeatedly under reporting and under paying the amount of sales tax they have collected.

We recommend that DOR seek prison (not jail) sentences, full restitution, interest and fines for all accountants and tax cheats charged under deliberate schemes of this sort.

We recommend that DOR seek additional budget authority from the Florida Legislature to allow it to hire additional forensic investigators and auditors to achieve the recommendations set forth above.

C. Tax That Has Been Collected Is Not Being Captured

While the majority of retailers may comply with their legal tax obligations, there are a number of others who are failing to do so. Clearly, due to non-reporting or under reporting, tax money collected by merchants is not being captured by DOR. Because of this reality, we find

DOR's focus on the effectiveness of its collection of delinquent "reported" amounts to be a bit misguided.

We scoured DOR's website to find information about estimates of collected but uncaptured sales tax. We could not find any. However, DOR's website is replete with sales tax collection data including statewide, countywide and "business type" specific analysis (i.e., there is collection data specific to bakeries, shoe stores, automotive dealers, boat dealers, restaurants, etc.).¹¹ A lot of the information listed therein is entitled "validated tax receipts data" which we interpret to mean data assimilated and obtained from taxpayers who file their tax returns (the DR-15s). Cumulative data from these returns is then used by DOR to determine how effective the Department is in collecting the amount of delinquent sales tax the merchants "report" they have collected. We find this focused analysis misleading and shortsighted on several fronts.

DOR's posture is they accept most returns as filed.¹² We interpret that to mean they accept as true the information set forth in the DR-15s. We do not share DOR's posture because we do not assume that all the individuals and business owners filing taxes in this state are abiding by Florida's honor system for tax collection. Our collective life experiences cause us to be a bit more cynical and less trusting of human nature. Moreover, witnesses estimated that in Miami-Dade County alone two industries (convenience stores and used car dealers) account for more than **\$2 million per month** in uncollected and unreported taxes. These numbers are inconsistent with truthful tax returns being filed.

The work of the DOR investigators in this region is further proof that there is a lot of sales tax that has been collected that is not being transferred to DOR voluntarily. For fiscal year 2009-2010, the 5-person investigative team in the Regional Office that covers Miami-Dade County generated restitution orders of \$13 million with actual capture of approximately \$2 million in taxes. The \$13 million and \$2 million dollar figures do not relate to money DOR knew about. The \$13 million is money that will now be coming to DOR via payment plans.

¹¹ Numerous Excel spreadsheets documenting sales tax collections, distributions, etc. can be found at <http://dor.myflorida.com/dor/taxes/distributions.html>

¹² Although DOR audits some returns to verify accuracy and evaluate compliance, it "accept(s) most returns as filed." <http://dor.myflorida.com/dor/taxes/audit.html#how>

Almost \$2 million in cash has already been transferred to DOR. Both sums represent new found money that had not previously been reported to DOR.

Our reluctance to accept as true the DR-15 returns filed with DOR is also underscored by the "News Releases" link on DOR's website. The site includes numerous articles about the arrests of individuals who were not following the honor system. The press releases include the following:

- Jorge L. Nunez, 47, owner of Palm Beach Used Cars, Inc., located in Ft. Myers, was arrested by the Lee County Sheriff's Department on January 6, 2011 on felony charges that he stole **more than \$39,000** in state funds he collected in sales tax from customers, but failed to send in to the state.
- Jai Lalwani, 32, of Wesley Chapel, manager of a Hillsborough County hotel and nightclub was arrested by the Polk County Sheriff's Department on December 22, 2010 on felony on charges that he stole **more than \$46,000** in sales tax he collected from customers but failed to send in to the state. He was arrested on charges relating to tax evasion, theft of state funds, and failure to file six consecutive tax returns.
- Satesh Ramsaran, owner of Dr. Snooze, a business that specializes in the sales of beds, with locations in Ocala, Crystal River and Summerfield, was arrested by the Marion County Sheriff's Department on November 19, 2010 on a felony and misdemeanor charges that he stole **more than \$105,000** in state funds he collected in sales tax from customers, but failed to send in to the state.
- The owner and manager of a Miami strip club, Karen Harr Raley, 66, Aventura and James Wright, Jr., 39, Miramar, were arrested by officers of the Miami Police Department and investigators from the Miami-Dade State Attorney's Office on August 4, 2010 on felony charges relating to filing false tax returns and failure to pay tax. According to Revenue Department investigators, the owners routinely collected tax from customers at the Take One Lounge. However, during various periods between July 2005 and August 2008, they failed to send in to the state all of the sales taxes that they had collected. The business failed to send in sales tax of **more than \$600,000**.
- The owner of a Lee County used car dealership, Carlos L. Torres, also known as, Carlos L. Seinz, 32, of Port Charlotte, was arrested by the Charlotte County Sheriff's Department on June 21, 2010 on charges that he stole **more than \$200,000** in sales tax he collected from customers, but failed to send in to the state.
- Steven Brannon, the former owner of the now closed Gill's Tavern, Inc. that was located on Monroe Street in Tallahassee, turned himself into the Leon County Sheriff's office on June 30, 2010 to face charges that he stole **more than \$24,000** in sales tax he collected from customers and for which he refused to file tax returns.
- Florida Department of Revenue today announced that on January 25, 2010, Richard Paul Beattie, Jr., 48, of Broward County entered a plea of no contest to 14 counts of theft of state sales tax and one count of Aggravated White Collar Crime. Adjudication was

withheld and Beattie was placed on 10 years probation and ordered to pay restitution to the Department of Revenue in the amount of over **\$ 2.3 million**, all costs of the investigation and prosecution, and court costs. From November 1, 2002 through January 21, 2005, Beattie was the president of Huntington Restaurants Group, Inc. and its subsidiary Golden Management, Inc., which at one time owned and operated over 30 Denny's Restaurant franchises in Florida and filed a consolidated sales tax return for those restaurants. For several months, Golden Management, Inc. paid the sales taxes the restaurants had collected with bad checks, many in excess of \$100,000 each. Beattie made no effort to pay the sales taxes the restaurants had collected despite the fact that the taxes due were more than \$100,000 each month.

- The owner of a Gadsden County Subway restaurant, Robert Blaine Register, 40, of Tallahassee, surrendered to the Gadsden County Sheriff's Department on February 16, 2010 has been arrested on charges that he stole **more than \$67,200** in sales tax he collected from customers but failed to send in to the state.
- Carlos E. Sciortino, 38, of Windermere, the owner of several Orange County restaurants was arrested by the Orange County Sheriff's Department on March 10, 2010 on charges of theft of state funds on sales tax he collected from customers but failed to send in to the state, and failure to file six consecutive **returns**. According to Revenue Department investigators, Sciortino routinely collected tax from customers at his business. However, during various periods between December 2005 and November 2009, Sciortino failed to send in to the state all of the sales taxes that he had collected and for some of these periods, he failed to file returns at all. The Department of Revenue estimates the sales tax collected and not remitted is over **\$240,000**.
- John C. Dyn, 45, who also lives in Tampa, owner of J. Dyn Investments, Inc., doing business as both NBlooms and KaBloom, with locations in Tampa and St. Petersburg, was arrested by the Hillsborough County Sheriff's Department on November 22, 2010 on charges that he stole more than **\$73,000** in state funds he collected in sales tax from customers, but failed to send in to the state.

We intentionally selected representative cases from all over the state. Although DOR's website has press releases for such cases going all the way back to 2002, we have listed excerpts from only **ten (10)** selected DOR press releases covering a portion of 2010 and 2011. We do not know how many more such arrests take place throughout the state, but we are aware that DOR's website does not include press releases for all of the persons arrested for such offenses. For instance, during our term as Grand Jurors, the October 7, 2010 issue of the Miami Herald carried an article with the following headline: "23 Are Accused In State Sales Tax Racket." The article reported that 23 people were arrested and charged on counts of racketeering and other white-collar crimes. Prosecutors say a ring of convenience stores and gas stations from Key Largo to Tampa may have failed to pay up to \$5 million in sales taxes collected from customer sales.

They pocketed the money instead of sending it to DOR. The store owners and their accountant were arrested.

Many of the persons arrested above face felony and misdemeanor charges relating to theft of state funds, failing to file sales tax returns, **and refusing to file returns and pay tax.** The charges above include persons who registered and did not pay; registered and underpaid; or did not register and did not pay. The existence of so many of these news releases confirms to us that many of Florida's businesses are **not** abiding by the honor system as it relates to reporting and remitting **all** of the sales taxes being collected. In addition to the taxpayers that are not filing sales and use tax returns as required, analysis determined that tax revenues in Miami-Dade County of approximately \$25.0 million annually are not being turned over to the State by taxpayers who routinely under-report tax revenues, fail to document the collection of sales tax properly or are not registered to collect and remit sales tax.

Our cynicism as to the veracity of the information in the DR-15s is further bolstered by the fact that in 2010 the Florida Legislature authorized DOR to conduct a 90-day Florida Tax Amnesty program. As reflected in its October 14, 2010 news release, the results from DOR's 2010 Tax Amnesty Program revealed the following:

For the 90-day tax amnesty period:

- Nearly 75,000 (74,676) total contacts (including calls and inquiries at Service Centers)
- Over 120,000 (120,072) visits to the amnesty web page
- Total cash collections for the 90-day period of \$160 million*
(*This is not a final total for collections as checks and amnesty agreements are still being processed.)¹³
- Over 1,600 newly registered sales tax dealers
- A total of 41,546 amnesty agreements
- Over 2,000 installment agreements
- Nearly one million Taxpayer Information Publications were mailed and 385,140 emails were sent to registered taxpayers in early July.

¹³ The final figures for the validated total cash collections for the 90-day period is reported by DOR to be \$268.7 million.

Although Florida's tax amnesty program has ended, taxpayers can report previously unpaid or underpaid taxes through the Department's voluntary disclosure program and pay no penalty.¹⁴

In its news release dated August 25, 2010, which provided an update on the Amnesty Program, DOR advised that "taxpayers who identify a tax liability **unknown** to Revenue will be required to pay only half as much interest as they would if DOR found the unpaid tax later" (emphasis added). This confirms to us that DOR is aware that there are tax liabilities out there that have not been disclosed by Florida taxpayers (collected but uncaptured tax). From our perspective, the more alarming information is contained in DOR's October 14th press release. Apparently, more than 41,000 persons were not following the honor system as 41,546 amnesty agreements were executed within 90 days. Further, more than 1,600 persons who previously either did not know, or knew and did not register, have now become registered sales tax dealers. How many more businesses have opened in the four (4) months since the 2010 Amnesty program closed? How many of those merchants have not registered?

The existence of the voluntary disclosure program demonstrates that DOR is aware of the fact that all merchants will not play by the rules or follow the law. It has a dedicated web page for voluntary disclosure of tax liabilities. Florida's voluntary disclosure program allows a taxpayer to report previously unpaid or underpaid tax liabilities for any tax administered by the Department of Revenue. It provides the taxpayers an opportunity to voluntarily pay these taxes without being penalized. DOR's position is clear: If your business will have taxable transactions, you must register with the Department of Revenue **before you begin conducting business in Florida**. As a result of ignorance, neglect or willfulness, at least 1,600 individuals and / or businesses chose not to comply with this requirement.

DOR boasts a 98% compliance rate with collecting reported and delinquent sales tax from merchants. To the extent persons believe that percentage relates to the capture of all sales tax collected in the state, we believe the collection rate data to be misleading. Nowhere does it account for the amount of taxes that is not even being reported. We believe this is the white elephant in the room that no one wants to acknowledge. However, we want the legislature to understand that although DOR does a good job of collecting reported and delinquent taxes, it

¹⁴ http://dor.myflorida.com/dor/taxes/voluntary_disclosure.html

appears to be failing miserably with its efforts to detect, charge and capture those who are underreporting or outright stealing tax money. We understand that part of this failure may be due to a lack of 3rd party verification for information in the DR-15s.

D. Increase The Sources For 3rd Party Verification

When taxpayers file their federal income tax returns, the Internal Revenue Service has a great deal of information that it receives from 3rd parties that it uses to verify and determine the accuracy of the information contained in those returns. They range from W-2 forms and interest statements to mortgage interest paid and capital gains. It was reported to us that approximately 89% of information provided in a federal income tax return is subject to 3rd party verification. If a federal tax payer provides fraudulent or misleading information in a return, or if the taxpayer is required to file and fails to file a return, the IRS has the ability to discern that without much effort. The information is all linked, based on social security and tax ID numbers and computers can simply analyze what was received from the 3rd parties and determine whether a return was filed, and if so, whether the information matches up. With few exceptions, such is not the case with DR-15s submitted to DOR by Florida taxpayers. This is a major obstacle to DOR being able to effectively find tax cheats.

As previously indicated, Florida's tax system is based on the honor system. Persons who are supposed to collect taxes are expected to collect taxes. Persons who collect those taxes are expected to remit all sales taxes collected. If payments are not made or if underpayments are sent in, DOR will have difficulties making the discovery without conducting an audit. However, we understand in a few situations, there is 3rd party verification.

Sales of automobiles (used and new) are required to be reported to Florida's Department of Motor Vehicles (DMV). Specifically as it relates to car dealers, the amount of sales tax collected is listed on the title to the car. DMV prepares a quarterly report that is sent to DOR. If a DR-15 is submitted with information related to auto sales, the 3rd party verification is the documentation submitted to DMV. The DMV report serves as a wonderful 3rd party verification tool as it includes details for all automotive sales made by dealers in Florida. Any under reporting or failure to report is caught in short order. This reality underscores the importance of

3rd party verification and, absent creating additional 3rd party verification tools, drives home the necessity of hiring more auditors and investigators for DOR.

The 2010 Tax Amnesty program resulted in more than 1,600 newly registered sales tax dealers. Clearly, many Florida business owners are not complying with the legal requirement that they register to collect sales tax before their first day of doing business. When they fail to do so, the entire state suffers from the loss of revenue. After many discussions, we think we may have come up with a way to decrease the number of new businesses that are starting business without first registering to collect sales tax.

In every county in the state, individuals are obligated to obtain various licenses and inspections before they can start doing business. County departments issue Certificates of Occupancy, Occupational Licenses and business licenses (which must be displayed) before one can lawfully conduct business in our counties. The issuance of such a license by any county in Florida may be an indication that another sales tax dealer should be added to the roll of Florida taxpayers.

A solution would be for every county to develop a policy that it would not issue such licenses without proof that the individual or business had already registered for or received their sales tax license. The county departments that issue occupational licenses could include this "notice" in all informational packets for persons seeking to do business in that county:

"Before [name of county] County will issue you an Occupational License, you must first present evidence that you have registered as a sales tax collector and obtained a license for collecting sales tax. Alternatively, you must sign an affidavit advising that you have contacted DOR and been informed that your proposed business or occupation is not one that is subject to sales tax collection. For more information, please contact Florida Department of Revenue at (Regional Office number), (Tallahassee Office number) or http://dor.myflorida.com/dor/taxes/sales_tax.htm.

This simple requirement would do away with the group of business owners and individuals who never registered because they did not know they were obligated to do so.

Each county could transmit that information to DOR's Regional or Main Office. The information would include the name of the individual or business receiving the license or signing of the affidavit. DOR could use this type of 3rd party verification to confirm that a license had been issued for that individual or business at that address. The fact that the owners are new also

presents an opportunity for DOR to fully educate the newly registered dealers on their obligations.

If receipt and comparison of the county data reveals that no one under that name or at that location registered to become a sales tax dealer, DOR has enough information to make direct contact to determine whether such registration is required. If so, DOR can get the person registered, educate them on the process and thereby, develop a new stream of sales tax payments for Florida's general revenue.

If either of these recommendations could be implemented, there could be a major increase in the amount of sales tax remitted to DOR. Further, if there was a way that data from the county departments could be transmitted electronically and the analysis and comparison of data done by the computers, it would save money, free up staffing needs at this level and could result in more FTE's being used to hire more auditors and investigators. We understand that a lot of data presently being collected and analyzed by DOR is broken down by zip codes. Providing to DOR the zip codes of the businesses receiving OL might also make this comparison and verification process easier.

One of the other shortcomings with the lack of 3rd party verification is the scenario where a business owner has a tax liability to DOR and chooses to sell that business. DOR is rarely aware of or put on notice of the sale. Filing a tax lien is not an option to recapture the sales tax in those situations.

However, the law has a very specific provision that is very effective in recovering payments for tax warrants when there is a potential sale of certain alcohol licenses. All sales involving the transfer of any such license must be approved by Florida's Department of Alcohol, Beverage and Tobacco (ABT). Prior to granting approval of the sale, ABT will inquire of the seller and check with DOR to determine whether any delinquent sales taxes are due and outstanding. All payments must be made and all tax warrants paid before ABT will approve the sale. We believe this a wonderfully effective tool in assisting DOR in collecting delinquent taxes, and one where 3rd party involvement leads to the recapture of sales and use tax. It would be a great benefit to the state if other business sales would also be bound by this pre-sale requirement and release.

We recommend that counties require all merchants and business owners seeking occupational or business licenses to either present proof that they have registered to become a sales tax dealer. Alternatively, they should be required to sign an affidavit that they have contacted DOR and been informed that their occupational or business endeavor is not one that requires them to collect sales tax.

Alternatively, we recommend that the legislature mandate this requirement for Florida counties.

E. Increase The Number of Taxpayer Audits - Send A Message

DOR employs auditors in its Regional Offices who conduct audits of taxpayers within their respective region. Most of the businesses, sales tax dealers and returns that are audited are randomly selected at DOR's Tallahassee. Once the selection has occurred that information is sent down to the Region and the audit process begins. DOR conducts audits to enforce Florida tax laws uniformly, deter tax evasion, promote voluntary compliance and educate taxpayers. Very often, those audits discover non-payments or under payments and lead to referrals to DOR Investigators. As reflected earlier in this report, no county is immune from tax cheats. We agree with DOR that audits and criminal enforcement actions are an effective deterrent to tax delinquency and fraud.

We are fairly confident that most sane people do not want to be arrested, go to jail or go to prison. If persons are engaging in illegal behavior because it is financially rewarding to them and they do not believe they will get caught, they will probably continue to engage in that activity. However, if those persons discover that others engaged in the same illegal activity are getting arrested and prosecuted, that new reality may serve as a great deterrent to further illegal activity. We strongly believe that each of the five (5) DOR Regional Offices should increase the number of auditors and those auditors should target tax cheats and their accountants who are systematically ripping off the system in large numbers. Each of those arrests should be accompanied by a news release in the manner set forth earlier in this report.

As a result of repeated budget cuts, there are now less than 35 DOR criminal investigators statewide. Because of these low staffing numbers we believe DOR should focus its investigative sights on businesses, industries and persons from which DOR believes it will garner

in the highest capture of collected tax.¹⁵ Targeting individuals and businesses that have failed to remit large amounts of sales tax will send a powerful message to others, result in greater publicity (and thereby result in greater compliance) and will provide more bang for the buck. These large scale investigations will also result in large sums of money flowing into state coffers. We find this approach preferable to having DOR investigators pursue numerous cases that can be closed out in a short amount of time but only result in the capture of insignificant amounts of sales tax. It is our hope that a targeted approach of industries and businesses with huge potential tax liability will result in payments from those who had not been paying and truthful tax returns and full remittances from those who were previously underpaying. All of this "new found money" will serve to reduce the state's massive budget deficits.

We recommend that DOR increase the number of random audits conducted annually.

We recommend that DOR seek additional funding and FTEs to hire more auditors to conduct such audits.

We recommend that DOR seek additional funding and FTEs to hire more Criminal Investigators.

We recommend that DOR's Criminal Investigators focus their sights on businesses, industries and persons from which DOR believes will result in the highest capture of collected sales tax.

We recommend that DOR track and post on its website data that reveals the amount of new found money captured through audits and criminal investigations.

F. Work With Other Agencies to Curb Tax ID Fraud

Miami has been described as the nation's Medicare fraud capital. Federal authorities estimate that Medicare fraud in Miami bilks the federal government for about \$3 billion each year. During our term a number of related major arrests took place here. For instance, in July 2010 a joint (Department of Justice/Department of Health and Human Services) Medicare Fraud Strike Force participated in investigations that led to the arrest of 24 defendants in Miami. Those defendants were indicted for allegedly participating in various fraud schemes that led to approximately \$103 million in false Medicare billings. The defendants included company

¹⁵ We were informed that during a prior Florida Tax Amnesty program ATT came in with a check for \$10 million. How many more potential sizeable captures are out there?

owners and operators, doctors, nurses, patient recruiters and a medical biller who billed Medicare approximately \$49 million for fraudulent services. Similarly, in October 2010 the same Strike Force moved in and shut down two massive Medicare fraud operations that since 2003 submitted Medicare claims totaling \$191 million and allegedly netted \$83 million in illicit proceeds. Again, company owners and senior managers working for the health care companies were the ones indicted for fraud and kickbacks.

The reason we mention this criminal conduct in this report is crooks cannot commit this type of fraud without first obtaining a DOR issued tax ID number. DOR issues tax ID numbers to all persons seeking to do business in the State of Florida. It only costs five dollars (\$5.00) to register to obtain the tax ID number. Some of the information we received during our investigation revealed that some of the persons registering to obtain sales tax dealers licenses are only doing so to engage in fraudulent or otherwise criminal activity or to make it possible for others to do so. The manner and circumstances under which certain numbers are being obtained is itself, suspect. It was reported that DOR employees at some Regional Offices have observed drivers bring van loads of persons to certain DOR offices to register with the department. The DOR employees even believe that all the persons in the group were given the five dollars (\$5.00) to pay for the registration and they are "straw owners". DOR employees concluded it was highly unlikely that any of the persons registering really owned Medicaid businesses for which they were seeking tax ID numbers. This sounds like very suspicious activity to us. Yet, under these circumstances DOR does not question this practice or the motives of these individuals in seeking ID numbers. The reason given is that the Medicaid businesses will not be engaging in taxable sales and we do not have sufficient resources to delve into that area. We agree on both counts but we cannot turn a blind eye to this.

Once obtained, the tax ID number can be turned over to someone who is going to engage in perpetrating a multi-million dollar fraud on our federal government. This fraudulent activity impacts all of us because it results in theft of taxpayer monies that will be given to persons whose only desire is to rip off the system. As to the prevalence of Medicare fraud in Miami, DOR can help "nip it in the bud" by changing some of its practices that relate to the issuance of tax ID numbers. In situations where persons are registering under questionable circumstances (like those above) DOR should conduct some type of follow up. A quick investigation of the

business could help identify it as a Medicare scam operation early on. It might even make sense to raise the cost of all registration to cover the cost of some type of standard background check. Requiring applicants to supply their fingerprints could serve as a deterrent and could also serve as a starting point for any criminal background investigations. The fingerprint check could be run as a matter of course by law enforcement agencies. Working together with law enforcement DOR could help prevent many potential Medicare scam businesses from gearing up for operation. This would save millions of dollars in Miami-Dade County alone.

We recommend that DOR put checks in place to preclude this type of wholesale application for tax ID numbers.

We recommend that DOR change its policy and require that anyone seeking a tax ID number provide some form of evidence of having a legitimate business.

We recommend that DOR raise the fee for obtaining a tax ID number so that fingerprint and background checks can be conducted.

We recommend that DOR adopt a policy that registration fees for sales tax ID numbers must be paid with a credit card or check drawn from a bank account linked to the owner of the proposed business.

In situations where tax ID numbers are issued to anyone under questionable or suspicious circumstances, we recommend that DOR refer that information to law enforcement officers and Strike Force members.

We recommend that DOR establish Memoranda of Understanding with other agencies for the exchange of such information.

IV. RECOMMENDATIONS FOR FLORIDA CITIZENS

Everyone who lives in Florida is negatively impacted by the failure of merchants to submit to the state the sales tax they have collected in their businesses. Most of us probably assume that once we pay that tax at the register the money is automatically transferred to some bank account for the state. We now know such is not the case. Since we are all required to pay sales tax what can we do as citizens and residents to ensure that the businesses we support are registered and that the taxes they collect from us are being remitted to DOR? We have a few recommendations to make in that regard.

A. Citizens' Initiative For Improving Tax Collections By DOR

A recent citizen uprising in Egypt has put in motion major change that is about to take place regarding Egypt's governmental structure. Florida citizens can engage in a less tumultuous uprising that can also result in major changes in regards to the amount of sales tax collected by DOR. If we are required to pay sales taxes, we should strive to only do business with merchants who are complying with Florida law and remitting those taxes to DOR. In that regard, we have several recommendations.

Stickers and decals are provided to merchants who are members of the Better Business Bureau to display in their businesses. Similarly, we believe DOR should design a DOR decal that is only issued to business who are remitting sales tax they have collected from consumers. As with the old driver's inspection decals that were affixed to car windshields, a new decal could be issued every year.

Before citizens make their purchases at the businesses they frequent, they should ask whether the merchant is a registered sales tax dealer. If so, the license should be visible in the business. If not, the citizens should take their money and their business elsewhere.

If citizens discover through this initiative that businesses they frequent are not registered sales tax dealers, they should contact DOR's Reward Program mentioned below.

B. Publicity for Deadbeat Tax Cheats

The Florida Department of Revenue received authority from the 2010 legislature to publish a list of names of taxpayers who have large, unresolved tax liabilities. Apparently, the legislature was hoping to shame delinquent taxpayers into compliance. The taxpayers on the list all have failed to pay or arrange to pay their tax debt, despite repeated attempts by the Department to collect the amount due. DOR has posted the names of those taxpayers on its website.¹⁶ We believe that DOR should also consider decertifying registered sales merchants who have long-standing debts to DOR. In viewing the list of delinquent taxpayers we note that there are only two¹⁷ entities listed for Miami-Dade County: Deco Drive Hair Corporation (with a tax warrant/lien filed with the county for almost \$1.2 million dollars) and Jack Nelson

¹⁶The list can be accessed through this web location: http://dor.myflorida.com/dor/taxes/delinquent_taxpayer.html

¹⁷ As Miami-Dade County collects more taxes than any other county in the state we were surprised to see **only** two entities with large tax warrants.

Enterprises, Inc. (with three tax warrants totaling more than \$340,000). The website does not have information, nor are we aware of how these tax liabilities reached such high amounts. Nevertheless, our recommendations in this area are simple.

We recommend every Florida residents log on and view the tax violators listed for their respective county of residence.

We further recommend that Florida residents also encourage their friends and relatives to refuse to do business with any of those taxpayers, their companies/businesses or any affiliates of those companies/businesses.

C. The DOR Rewards Program – Earn Money by Helping Catch Tax Cheats

One of the best ways to achieve greater compliance and accurate remittance of sales tax is through fear. If people are afraid they will be caught, charged, prosecuted and fined for their failure to comply voluntarily, they are more likely to comply. We believe one of the ways to instill this fear is to generate publicity about the DOR Rewards Program.

The Rewards Program is like Crime Stoppers for tax cheats. If anyone has information about a tax law violation, the violation can be reported to DOR. Thus, if persons know individuals or businesses owners are not registered, not collecting, collecting but not remitting or underpaying taxes, they can call DOR at 800-FL-Reward (1-800-352-9273), send them a fax, write them a letter or log on to DOR's website and send them an email to a site that is specifically dedicated to receiving information about tax violations.¹⁸ As an incentive for reporting such violations, similar to Crime Stoppers, persons who report violations may be eligible for a monetary reward. Violations can also be reported anonymously.

We strongly believe the DOR and the Florida Legislature should engage in a publicity campaign aimed at advising the public about the existence of the Reward Programs. We understand that an increase in publicity could result in an increase of reported violations that could result in a need for additional employees to conduct such investigations that could result in more money flowing into state coffers that could result in a reduction in the state's budget deficit. This simple act could be a tremendous benefit to all the citizens of this state.

¹⁸ Website location for reporting tax cheats is <http://dor.myflorida.com/dor/taxes/violations.html>, DOR's Rewards Program.

We recommend that DOR and the Florida Legislature engage in a marketing / publicity campaign to inform (and keep reminding) the general public that we can all help to curb sales tax abuse by reporting violation to DOR.

V. **CONCLUSION**

The week before this grand jury was discharged we discussed an article about Florida's budget that appeared in the Miami Herald. The February 2, 2011 article focused on a proposal from Governor Rick Scott that would now require tens of thousands of teachers, police officers and other state and county workers to contribute to their retirement accounts. Pension plans would not be offered to new workers under this proposal. In advance of a budget shortfall for next year that could exceed \$4 billion, the governor's proposal is designed to save the state \$2.8 billion over the next two years.

One of our witnesses estimated that there might actually be about \$2 billion worth of collected but uncaptured sales tax in the possession of merchant sales tax collectors. If that estimate is correct, and if that money is captured, DOR can singlehandedly reduce Florida's impending budget shortfall for this fiscal year by two thirds. We believe DOR can do a better job of collecting this "new found money" if it implements the recommendations set forth herein. If DOR is ever to achieve that goal, it is imperative that the Florida Legislature heed this clarion call to not only spare DOR further budget cuts, but also restore some of the prior funding cuts. We believe working together (the legislature, DOR and Florida citizens), we will see increases in our reported collected and captured sales and use tax.