

Jeff,

You are correct in your thinking that municipalities record at net for the payment they receive. I would recommend continue recording the amount you receive as sales tax revenue for both Bradley burns and measure J rather than breaking out the rev/cost portion. In regards to the implementation costs bill for measure J, I would recommend you record an expense for this item since you paid that directly. Let me know if you have any questions. Thanks.

Bryan S. Gruber, CPA, Partner
203 N. Brea Blvd. | Suite 203 | Brea, CA 92821
714.672.0022 www.lslcpas.com



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From: Geoffrey Kiehl
Sent: Wednesday, September 19, 2012 11:52 AM
To: Bryan Gruber
Subject: Accounting for BOE Administrative Costs for Sales Tax Revenues

Bryan – I have an accounting question for you relating to proper reporting of State Board of Equalization administrative costs. When anticipating our revenues and administrative expenses for our new Measure J add-on sales tax, we contracted with the BOE to pay them up to \$175,000 for our implementation costs but were told that the actual number would likely come in significantly lower than that. In fact, we received a bill for \$29,518.78 and we have paid that under the 2011-2012 fiscal year and it is my understanding that completes our obligation for implementation costs. They required for this bill to be paid directly rather than deducting that amount from our sales tax revenue payments, so it is recorded as an expense.

To follow this process in accounting for the implementation costs, we budgeted \$80,000 for anticipated administration costs throughout the year. However, it appears that they are going to be deducting these on-going administration costs from the amount they remit to us through their quarterly settle-up payments. This is the same way they handle it for our normal Bradley-Burns sales tax payments. I have attached a Bradley-Burns payment advice and a Measure J payment advice so you can see what I am talking about. For the normal Bradley-Burns sales tax payments we have historically recorded the net payment as revenue. Should we instead be recording the gross amount as revenue and the administrative costs as expenses? I would expect that 99% of municipalities probably just record the net amount as we have done, but I thought it better for us to clarify this now as we are just getting started with Measure J accounting. My preference would be to continue recording the net amount as revenue and not breaking out the administrative costs as expenses -- both for the Bradley-Burns sales tax and the Measure J add-on sales tax. Please advise.

Thank you,
Jeff

Geoffrey S. Kiehl
Director of Finance and Treasurer
City of Palm Springs