



**Department of
Taxation and Finance**

**OFFICE OF PROCESSING AND
TAXPAYER SERVICES**

EDWARD CHASZCZEWSKI

Deputy Commissioner

January 3, 2018

The Honorable Andrew M. Cuomo
Governor of New York State
NYS Capitol Building
Albany, NY 12224

Dear Governor Cuomo:

Enclosed is the Department's status report on the implementation of recommendations contained in the Office of the State Comptroller's audit report entitled: "Controls Over the Collection of the Public Safety Communications Surcharge, Report 2016-S-84 dated October 2017."

Sincerely,

A handwritten signature in black ink that reads "Edward Chaszczewski".

Edward Chaszczewski

Enclosure

cc: Senator Flanagan
Assemblymember Heastie
Comptroller DiNapoli

Department of Taxation and Finance
Status of the Office of the State Comptroller's
Recommendations Contained in the Final Audit Report on
"Controls Over the Collection of
the Public Safety Communications Surcharge"

January 3, 2018

Recommendations:

1. Implement more effective internal controls over the administration of Surcharges to ensure Providers are collecting and remitting the amounts to which the State is entitled, including, but not limited to:
 - Routinely analyzing WCS-1 returns for anomalies, investigating significant fluctuations, and following through with corrective actions as appropriate;
 - Performing routine audits on the accuracy and completeness of remittances reported on WCS-1 tax returns;
 - Monitoring Providers' WCS-1 returns for timeliness, billing for penalties and interest owed to the State for late filings, and recovering any improper administrative allowances; and
 - Requesting the names and contact information of customers who have not paid the Surcharge to determine if the fiscal impact is material.
2. Establish proactive methods of communication with Providers to ensure they are aware of current Surcharge collection and remittance requirements and that their customer service policies are consistent and compliant with the Tax Law.

Status:

The 2017-18 Enacted Budget significantly restructured and expanded the Surcharge by, among other things, adding a surcharge on pre-paid wireless services that will significantly expand the number of vendors who will now be responsible for remitting the Surcharge. The budget provisions also charge the Department with administering county-imposed surcharges, relieving them of the costly burden of administering the surcharges. The restructured Surcharge will be administered in accordance with Article 28 sales tax procedures, rather than Article 27 corporation tax procedures.

The Department is now in the process of developing a new online filing option to accommodate both the existing filers and the new vendors now subject to the Surcharge. This filing system will perform many of the computations once manually performed by the taxpayer. This will reduce the instances of various errors made in the computation of the administrative fee allowance, as well as other computational errors that may have previously occurred.

A new processing system is also being developed that will automatically issue assessments for late or underpaid returns including all applicable penalties and interest. Delinquency notices will also be issued for known vendors subject to the surcharge that have not timely filed their returns.

The Department has been actively communicating these changes to the public. Two Technical Services Bureau Memorandums (TSB-M) have been issued outlining both the changes made for the existing filing population, as well as illustrating the new filing requirement for pre-paid wireless sellers. Additional web content has been added to our website to provide taxpayers, tax preparers and industry groups with comprehensive, timely and uniform guidance to fulfill their filing obligations. Direct communications have been made to our expected new filing population via an email delivery service, as well as a robo-call campaign. As with any new guidance the Department issues, we have also communicated these changes to multiple industry groups and tax type lists we maintain for dissemination of information. Additionally, the Department has also reached out to the existing filing population directly via phone to explain the changes and to discuss the new online filing option.