

# Ensuring Compliance With Sales Tax Liability

Did you know that the state of Ohio can perform an audit of your sales tax compliance at any time?

Do you know how it works and how they calculate their numbers to determine if you are in compliance with the amount of sales tax money you submit?

Here's how it works.

The state of Ohio has a department that reviews bars' and restaurants' reporting of sales tax liability and payments. They are charged with determining if your payments are correct. They are not just interested in determining if your payments are correct based on the reported revenue, however. That would be too easy. They are more interested in determining if you reported the correct amount of revenue; which of course, is the amount that the sales tax liability is based on.

Their premise is that a bar operator might underreport the sales, so they would not have to pay as much sales tax.

They calculate the inventory purchases you have made for the last couple of years by pulling all of your invoices. They will sometimes go back three years, if not more. They get from you your drink recipes and pour sizes and current prices.

They calculate the amount of revenue you should have used for your calculation based on the amount of inventory you bought (they don't calculate an ending inventory) utilizing your pour sizes and recipes to determine what your sales should have been. Then they subtract an amount out for "waste," attributing this amount of waste as a buffer of inventory spilled and not sold during the period, thus taking the approach that you never sold it in the first place, even though it was used and consequently could not have collected sales tax. Essentially, they are calculating what your sales should have been and compare this to your actual sales. They do build in some ratios for happy hour sales, but in general their calculation of your ideal product mix leaves something to be desired in its accuracy.

The state of Ohio allows a 5 percent shrinkage on draft beer and wine and a 10 percent shrinkage on liquor. There is no accommodation for losses of bottled beer. The state assumes if the bottle of beer was used it was sold. As many of you Bevinco customers know, there is shrinkage on bottled beer and the shrinkage on liquor and draft beer when you were first audited exceeds these amounts greatly.

Most bar operators are not calculating their ideal sales or ideal pour cost per-

## The Last Call

By Chuck Deibel



centages and comparing those numbers to their actual ones, so they are not aware of how much money they are losing. So consequently, when this sales tax audit occurs they find themselves owing thousands of dollars in back sales tax, penalties and interest as the state assumes the owner purposely tried to defraud the state by underreporting sales, and consequently underreporting sales tax payments.

I recently had a newer client facing an \$800,000 bill, with unpaid sales tax, penalties and interest.

So what can you do? You have to get a handle on how much inventory and sales is missing and make sure you reduce your losses to these thresholds. To do that you will need to either calculate your ideal cost percentage or your ideal sales and compare that to your actual numbers to determine how much you are missing. Then, based on those results, you will have to manage the staff and get things under control. On average, a bar is missing 20 percent when it is not calculating its ideal numbers based on the current product mix. This means that practically all bars would be found to be out of compliance and would be charged.

Simply comparing your current actual numbers to past actual numbers does not reveal these differences and you will be caught owing thousands and thousands of dollars. If you would like to discuss your situation, please feel free to contact me or any other Bevinco franchisee and we will be glad to help you. If you are facing an audit, we might be able to help.

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nonfood containers, sold in Ohio. Additionally, it required "corporations such as hospitals" to recycle containers, with 90 percent of the refunded deposit going to a fund to cut health care and car insurance rates in Ohio.

The petitions were submitted by a committee consisting of Clevelanders



## Sampling Ciroc

Alyssa Mrosok of MKTG and I North Lima, are ready for custom

## Settlement

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licensed to sell alcoholic products.

- Use names, initials, logos or marks of any school, college, university, fraternal organization, sorority or fraternal promotional materials.

- Distribute, sell, provide or promote merchandise bearing the brand name or logo of FMBs to underage people.

Additionally, Phusion must:

- Prevent the posting of, and promptly remove, from its websites and social media any postings that depict or describe the consumption of its caffeinated alcoholic beverages, the mixing of its FMBs with products containing caffeine or

## Behind The Bar

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Over time, the group thinned out but certain unclaimed \$15 or so remained at the bar. I was pretty sure I knew whose was, but not absolutely sure. I was absolutely sure that it wasn't the guy's money who was about to make it his own. In so many words, I told him that it wasn't his money.

He said he thought he knew whose it

## Petitions

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truthful summation of the matter you submitted."

The initiative sought to place 5-cent to 10-cent refundable deposits on all glass,

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may occur on the same day and there must be at least an hour between sampling events.