

EXHIBIT 56

November 28, 2023

Internal Revenue Service
Employment Tax/ Voluntary Request Coordinator
Attn: Employment Tax Coordinator
7940 Kentucky Drive
Florence, KY 41042

Taxpayer: Central Florida Tourism Oversight District
EIN: 59-1223432
Tax Years: 2020, 2021, 2022 and 2023
Re: Request for Voluntary Closing Agreement to Resolve Employment Tax Issues

To whom it may concern:

We have been engaged to assist Central Florida Tourism Oversight District (“CFTOD” or “Taxpayer”), with a request for a Voluntary Closing Agreement to resolve employment tax issues. The Taxpayer inadvertently omitted Disney Park passes and discounts from employee wages. A Voluntary Closing Agreement is proper in this case because (i) it would be advantageous to have these employment tax issues permanently and conclusively resolved; (ii) the Taxpayer can demonstrate that no other corrected return procedures would allow for prompt, permanent, and conclusive resolution of the present employment tax issues due to the number of employees involved; and (iii) the Voluntary Closing Agreement would not prejudice the interests of the government. See Internal Revenue Manual (“IRM”) 4.23.25.3.

The following information is submitted in support of this request:

1. Name, Address, and EIN/SSN of Taxpayer

Central Florida Tourism Oversight District
1900 Hotel Plaza Blvd.
Lake Buena Vista, FL 32830

EIN: 59-1223432

2. Tax Period(s), Number of Employees Affected, Calculation of Amount of Potential Tax Per Tax Period(s)

Tax Periods: 2020, 2021, 2022 and 2023
Number of Employees Affected: 638

Calculation of Amount of Potential Tax Per Tax Period:

Year	Sum of Benefits to be reported as Wages	Sum of Income Tax	Sum of Employee Social Security Taxes Due on Taxable Benefits	Sum of Employer Social Security Taxes Due on Taxable Benefits	Total FICA Taxes	Sum of Employee Medicare Taxes Due on Taxable Benefits	Sum of Employer Medicare Taxes Due on Taxable Benefits	Total Medicare Taxes	Total Taxes Owed (Federal + FICA + Medicare)
	(a)	(b)	(c)	(d)	(e) = (c) + (d)	(f)	(g)	(h) = (f) + (g)	(i) = (b) + (e) + (h)
2020	1,692,333.25	186,585.78	102,737.35	102,737.35	205,474.70	24,538.83	24,538.83	49,077.66	441,138.14
2021	2,280,931.25	260,329.83	137,264.82	137,264.82	274,529.65	33,073.50	33,073.50	66,147.01	601,006.48
2022	2,218,908.00	262,782.23	130,934.87	130,934.87	261,869.75	32,174.17	32,174.17	64,348.33	589,000.31
2023	1,888,296.75	230,864.14	114,839.99	114,839.99	229,679.97	27,380.30	27,380.30	54,760.61	515,304.72
Grand Total	8,080,469.25	940,561.98	485,777.04	485,777.04	971,554.07	117,166.80	117,166.80	234,333.61	2,146,449.66

Detail is attached as Exhibit A

3. Form 2848 Authorization

Form 2848 is attached as Exhibit B.

4. Detailed Statement of Issues for which a Closing Agreement is sought

CFTOD requests this closing agreement to resolve all issues related to the underreported wages for 2020-2023 by reporting the correct wages to employees and former employees and paying unpaid income and employment taxes.

CFTOD, formerly known as Reedy Creek Improvement District (the “District”), is a public corporation of the State of Florida, created in 1967 by a special Act of the Florida Legislature. Since that time, the District was re-enacted as the CFTOD. In April 2022, the Florida Legislature amended the District’s charter to terminate the agency as of June 30, 2023. That amendment was subsequently repealed in February 2023, such that CFTOD continues to be a public corporation of the State of Florida with perpetual existence (see Chapter 2023-5, Laws of Florida). The purpose of CFTOD is to provide certain local governmental functions and proprietary utility services as well as support and administer certain aspects of the economic development and tourism within District boundaries.

The District has gone through a number of management changes in recent years such that almost all of current management were recently hired. The statements and information contained in this correspondence is based on best available information and current District management’s understanding of the events.

From inception until 1998, the Walt Disney Co. (“Disney”) managed the payroll obligations for the District, at which point the responsibility was brought in-house.

When Disney was preparing payroll taxes for the District, Disney provided District employees and retired employees with passes and employee discounts, presumably as they did for their own employees. With the transfer of the payroll processing to the District, passes and discounts, continued at no cost to the District or its employees. The District did not believe that it had to include the value of the passes and employee discounts in wages.

In 2006, Disney started charging the District for the cost of the passes and employee discounts used by District employees and retired employees. These were aggregate quarterly bills with no detail regarding which District employees and retired employees received passes or used the discounts. These passes and discounts were never considered part of employee wages and the District continued to exclude them.

In late 2018, the District hired Christopher “Chris” Quinn as the Finance Manager, who subsequently became the Finance Director in 2020. In late 2019, Chris began investigating the potential for taxability of the passes with the then Comptroller/Deputy District Administrator, Ann Blakeslee. The District determined that the passes and discounts were working condition fringe benefits, excluded from income and not required to be reported.

The COVID-19 pandemic had far-reaching consequences on tourism districts, challenging their economic viability, employment opportunities, and overall sustainability. These consequences were felt by the District in the form of decreased revenues and activities. The recovery process involved adapting to a “new normal” and implementing strategies to rebuild trust among tourists while ensuring the safety and well-being of both visitors and local communities. The pandemic created disruptions in the work environment, as employees and professionals transitioned to remote work setups or faced limitations on physical access to offices. This shift impacted the seamless flow of information and collaboration, hindering processes that required coordination among different departments and individuals. In summary, the COVID-19 pandemic introduced a myriad of challenges, including reduced income, disruptions to work routines, and shifting organizational priorities.

Ann Blakeslee retired in July 2021. Chris Quinn was promoted to CFO in October 2021. Subsequently, Chris raised the issue of taxability of the passes and discounts once again with the District Administrator, John Classe. Chris Quinn also consulted with outside legal counsel on the question of taxability of the passes and discounts. Outside legal counsel found no exceptions that could be reasonably relied upon to exclude the passes and discounts from wages. Thereafter, the CFO and the District Administrator discussed how to address this lack of reporting of taxable benefits. Options for remediation considered were reporting the fair market value of the benefit in wages or paying stipends equal to the cost of the passes and discounts. During this time, the District’s management was distracted by rumors which were circulating and culminated in the Florida Legislature’s action in April 2022 to dissolve the District effective June 30, 2023. The April 2022 law to dissolve the District was subsequently repealed by the Florida Legislature in February 2023 with provisions that amended the District’s charter to change its governance structure.

After returning to a state of normalcy in February 2023, with the re-enactment of the District under a new name and new Board of Supervisors, CFTOD management undertook steps to gather and compile the necessary data, and sought professional guidance from Cherry Bekaert Advisory LLC (“Cherry Bekaert”) for remediating this issue. It was determined that the program should be terminated and stipends could be paid to current and retired employees. This happened effective October, 2023.

CFTOD has authorized Cherry Bekaert to act on its behalf in this matter. (Enclosed as Exhibit B is Form 2848, Power of Attorney and Declaration of Representative).

Cherry Bekaert recommend filing a request for a closing agreement under the VCAP-ET program. Compiling and analyzing the benefits allocated to each employee, as required by VCAP-ET proved to be a time-consuming and arduous task. The difficulty was in tracing the usage of season passes and discount opportunities by 638 individual employees and former employees, making it challenging to obtain accurate data. In determining the computation of value of benefits to be included in employee wages and the total tax liability, we have excluded interns and part-time employees, as they were ineligible for these benefits. After excluding those ineligible employees, we divided the total expenditure for passes and discounts by the number of eligible employees to allocate benefits and calculate taxes accordingly. For years in which individuals were not employed for 12 months, the cost of the fringe benefit income allocated to them was reduced. Because many of these workers are not highly paid, the calculation uses the withholding tax rate that applies based on the Forms W-4 on file for each employee to determine federal income tax withholding liability. For retired employees, the average of the estimated income tax rates for current employees was used. The calculation includes employment taxes, taking into account the individual’s social security wage base. For 2023, the social security wage base used are year-to-date wages earned by the individuals (01/01/2023 to 10/26/2023).

As of October 1, 2023, CFTOD employees and retired employees no longer receive Disney passes or discounts. The employees now receive a stipend which is included in payroll and taxed accordingly.

The omission of Disney passes and discounts from employee wages was not a result of willful neglect on the part of CFTOD; rather, it was an unintended oversight. It is important to note that CFTOD is acting in good faith to correct the error. By actively seeking the assistance of professionals, CFTOD is demonstrating a proactive approach to resolving the issue and ensuring compliance with tax statutes and regulations. This initiative to engage experts indicates a commitment to accuracy and a willingness to take the necessary steps to address the oversight comprehensively.

CFTOD's decision to involve professionals in the remediation process highlights a responsible and diligent effort to navigate the complexities of tax regulations. By seeking expert advice, Taxpayer aims to ensure that the correction is not only accurate but also in full compliance with current tax laws. This collaborative approach reflects a genuine commitment to resolving the issue transparently and responsibly.

In summary, the CFTOD's acknowledgment of the error, coupled with the proactive steps taken to rectify the oversight by seeking professional assistance, underscores its commitment to ethical conduct and compliance with tax statutes and regulations. This

approach enhances Taxpayer's credibility and demonstrates a genuine effort to rectify the situation in a responsible and lawful manner.

Taxpayer seeks to resolve these underpayments of federal income taxes, FICA and Medicare tax for all the employees by paying all taxes that would otherwise have been paid. This matter is appropriate for a Closing Agreement.

5. Detailed Statement addressing why the Taxpayer cannot use the regular corrected return procedures

Since this issue involves 638 employees and multiple tax years, CFTOD seeks to establish its final federal employment tax liability permanently and conclusively. Amending Forms 941 for 15 quarters and Forms W-2 and W-3 for 638 employees, most for multiple years, will increase the administrative burden for both the IRS and Taxpayer. CFTOD intends to get this error corrected at the earliest convenience with the objective to reduce administrative burden by saving time and resources for both the IRS and it.

6. Statement regarding whether Taxpayer is willing and able to prepare necessary Form(s) W-2/ W-2c

Taxpayer is willing to prepare and file the necessary Form(s) W-2/W-2c to correct this error, but not willing to furnish such forms to the individuals. Issuing corrected W-2cs to a significant number of individuals for multiple years will most certainly result in this agreement becoming public. Taxpayer is also concerned about the additional confusion it may cause, having already communicated to all individuals the replacement of the benefit with a taxable stipend.

We sincerely hope that the IRS understands the complexities of the CFTOD's situation and the genuine intention behind this request, which is to minimize disruption and prevent any further complications.

7. Statement as to whether the Taxpayer or related entities are under examination by the IRS

This is to confirm that neither Taxpayer nor any of its related entities are under examination by the IRS, another federal agency or any state for the taxable years at issue.

8. Statement that to the best of Taxpayer's knowledge, neither Taxpayer nor any of its related and subsidiary entities or officers are under criminal investigation

This is to certify that to the best of Taxpayer's knowledge, neither the Taxpayer nor any of its related and subsidiary entities or officers are under criminal investigation.

9. Statement that neither Taxpayer nor any of its related and subsidiary entities have been audited by the IRS in prior years for the issue for which Taxpayer is seeking a closing agreement

This is to certify that neither the Taxpayer nor any of its related subsidiary entities have been audited by the IRS in prior years for the issue for which Taxpayer is seeking a closing agreement.

10. A statement as to whether Taxpayer or any of its related or subsidiary entities are in collection status or involved in collection procedures with respect to the issue for which Taxpayer is seeking a closing agreement

This is to certify that to the best of Taxpayer's knowledge, neither Taxpayer nor any of its related or subsidiary entities are in collection status or involved in collection procedures with respect to the issue for which the Taxpayer is seeking a closing agreement.

11. A statement that Taxpayer has not requested or received a private letter ruling or determination letter with respect to the issue for which Taxpayer is seeking a closing agreement

This is to certify that Taxpayer has not requested or received a private letter ruling or determination letter with respect to the issue for which it is seeking a closing agreement.

12. A statement that Taxpayer is not a petitioner in a case docketed with the United States Tax Court for any issue or time period, or is not a plaintiff in a case docketed in another court, including a state court with regard to tax or employment matters

This is to certify that Taxpayer is not a petitioner in a case docketed with the United States Tax Court for any issue or time period or is not a plaintiff in a case docketed in another court, including a state court with regard to tax or employment matters.

Conclusion

Taxpayer respectfully requests that the IRS issue a closing agreement to resolve the above-mentioned employment tax issues as it intends to get this error corrected at the earliest convenience, with the objective to reduce administrative burden by saving time and resources for both the IRS and it. A Voluntary Closing Agreement would provide a structured and cooperative framework for resolving this issue, ensuring that CFTOD can remediate the error in a manner in which all parties are made whole and consistent with IRS regulations. We believe such an agreement is in the best interest of all parties involved and promotes fairness, transparency, and a swift resolution.

If you have any questions or would like to discuss this matter further, please do not hesitate to contact Deborah Walker at (202) 257-5609.

Sincerely,



Deborah Walker, CPA
National Director Compensation & Benefits

Acknowledgements and Perjury Statement

Taxpayer acknowledges that if the Service determines it has intentionally misrepresented facts in its request, the Service may open an examination regarding the issues for which the request for a Closing Agreement was made.

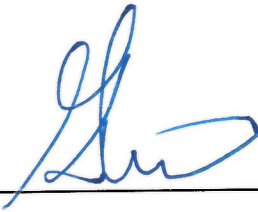
Under penalties of perjury, I declare that the facts presented in this written protest, which are set forth in the accompanying statement of facts, schedules, and other statements are, to the best of my knowledge and belief, true, correct and complete.

Glenton Gilzean, Jr.

District Administrator

Name

Title



11 / 28 / 2023

Signature

Date