



What to Expect from a Florida Tax Audit

A tax audit should be an educational experience to provide an understanding of your responsibilities and rights under Florida tax laws. It should not be a frustrating, time-consuming experience. Although an audit is an enforcement tool to ensure tax compliance, it can help businesses identify and correct bookkeeping problems that could cause additional tax liabilities. The Department of Revenue (DOR) wants to help you avoid penalties and interest that result when you do not pay your taxes correctly or on time.

Why Are Taxpayers Audited?

We audit taxpayers to:

- Enforce Florida tax laws uniformly.
- Deter tax evasion.
- Promote voluntary compliance.
- Educate taxpayers.

While we accept most tax returns as filed, we audit some returns to verify accuracy and evaluate compliance. Audits do not always result in the taxpayer owing additional tax, penalty or interest. The auditor may adjust a credit carryover or correct distribution without assessing additional tax. The auditor may even determine that a refund is due.

How Was I Selected?

The strategies for selecting a business or individual to audit vary from tax to tax. Here are some examples of sources used to identify a potential audit candidate:

- Internal Revenue Service information.
- Information sharing programs with other states or other state agencies.
- Computer-based random selection.
- Analysis of Florida tax return information.
- Business publications, periodicals, journals, and directories.

What Happens During the Audit?

We conduct two types of audits: those done in our offices (desk audits), and those done at your place of business (field audits). We use paper or electronic records to complete an audit (see "What is e-Auditing?"). Generally, we will audit a major tax, such as sales and use or corporate income, along with related taxes, such as local option or emergency excise.

The auditor begins by mailing you a *Notification of Intent to Audit Books and Records* (Form DR-840 or CA-1). This notice identifies the audit period and taxes to be examined. The auditor will also inform you of the records you will need to provide. The types of records needed may include, but are not limited to: federal income tax returns, Florida tax returns, depreciation schedules, general ledgers and journals, property records, cash receipt and disbursement journals, purchase and sales journals, sales tax exemption or resale certificates, and documentation to verify amounts entered on tax returns. You may receive a questionnaire to assess the potential for an electronic audit.

You must keep your records for 3 years since an audit can extend back that far. The Department may audit for periods longer than three years if you did not file, or filed a substantially incorrect return or payment. If you fail to produce records, we will estimate your tax liability based upon available information.

In the case of a field audit, the auditor will call you to arrange a date for the review. The auditor will interview you or your representative. Whether a field or desk audit, you must complete a *Power of Attorney* (Form DR-835) if you want the auditor to discuss the audit with your representative.

The auditor will ask about your type of business, organizational structure, accounting methods, and systems. To minimize disrupting the workplace, you may want to assign certain employees to help the auditor during a field review. Whether a field or desk audit, we will complete an audit with minimal effort and disruption of daily business activities if your records are easily available. Well-organized records and proper documentation can save you time, save you money, and help to speed the completion of an audit.

Throughout the audit, you have a right to know the basic findings and proposed changes. Feel free to ask questions. Auditors are encouraged to assist you in complying with Florida tax laws.

What is E-Auditing?

Electronic auditing, or e-Auditing, is computer-assisted auditing using electronic records to complete all or part of the audit. If you use a computer to record your business activity and maintain this data electronically, you are a candidate for an electronic audit. During an electronic audit, you provide electronic (machine-sensible) records and we use computer software programs to analyze the data. We prefer to examine electronic records whenever possible, because it is the most accurate and efficient method of conducting an audit.

If you have questions about e-Auditing or would like to receive a booklet with additional information, contact your local service center.

Can I Request Technical Assistance During the Audit?

When there are transactions or issues for which the tax consequences are questionable, you may request a written statement of our position at any time during the audit. A Technical Assistance Advisement (TAA) is binding on the Department. To obtain a TAA, submit a written request containing an accurate, detailed explanation of the transaction(s) or issue(s) to: Technical Assistance and Dispute Resolution, P.O. Box 7443, Tallahassee FL 32314-7443. Provide a copy of your request to the auditor. Your request will receive priority treatment; however, the auditor is under no obligation to suspend the audit pending a response.

The auditor may request guidance on the taxability of certain transactions or issues. If this occurs, you will receive a copy of the request and will have 10 working days from the date of the request to provide any information you want considered. When a decision is made, the auditor will provide you with a copy of our Internal Technical Advisement (ITA).

If a decision is made after we submit the audit for review, billing, or assessment, we will make any necessary adjustments to the audit findings.

What Happens After the Audit?

The auditor will notify you of the findings and the legal basis for any adjustments. In the case of a field audit, the auditor will conduct an exit interview. Make sure you understand the reasons for any proposed changes and ask for an explanation of unclear items. The auditor will explain your rights, including deadlines for filing protests. You will receive a *Notice of Intent to Make Audit Changes* (Form DR-1215), which summarizes the audit results and includes a written statement of your protest and appeal rights. If additional tax is not due, we will send a letter stating the audit resulted in no changes to the tax returns you filed for the audit period.

Once you have received and reviewed the audit findings, you will either agree or disagree with them. It is important you notify the auditor of any agreement or disagreement before the expiration of the 30-day period specified on the *Notice of Intent to Make Audit Changes*.

If you agree with the audit findings, sign the notice and pay the amount due. If you cannot pay the amount in full, contact the auditor to discuss possible ways to pay the liability.

If you disagree with the audit findings, you have 30 days after we issue a notice to request a conference with the auditor and/or the auditor's supervisor. The conference must occur within 90 days after we issue the notice unless otherwise authorized by the Department. Most differences can be resolved through these

discussions. Disputes that cannot be resolved at this level may receive further consideration after we issue a *Notice of Proposed Assessment* (NOPA).

After the audit is complete, you will receive a *Notice of Proposed Assessment* (NOPA) which provides official notice of the amount due. This document serves as a request for payment of any unpaid amounts, and provides instructions for filing a formal or informal protest in the event you disagree with the proposed changes. We will not take any enforcement action, such as filing a tax warrant, until you receive the assessment and have a chance to voluntarily pay or protest the audit findings.

We will mail Taxpayer Audit Satisfaction Surveys to randomly selected taxpayers. If you receive a survey, please use it to rate your satisfaction with certain audit actions or services. We use the results to improve the audit process.

What Can I Do If I Encounter Problems During The Audit?

You have the right to fair treatment by the Department. If you believe treatment has not been fair or if you have any other problems during the audit, you should first attempt to resolve the problem locally by meeting with the auditor's supervisor, service center manager and/or regional manager, as appropriate. If the problem cannot be resolved at the local level, you may call the Taxpayer Rights Advocate at 850-488-2321 or write: Taxpayer Rights Advocate, Florida Department of Revenue, P.O. Box 5906, Tallahassee FL 32314-5906.

Reference Material

Tax laws – Our online Tax Law Library contains statutes, rules, legislative changes, opinions, court cases, and publications. You can search the Florida Tax Law Library at www.myflorida.com/dor

Brochures – Download these brochures from our “Forms and Publications” page:

- Florida Taxpayer's Bill of Rights
- How to Pay Your Audit Assessment and Notice of Taxpayer Rights
- What to Expect from a Florida Unemployment Tax Audit

For Information and Forms

Information and forms are available on our Internet site at: www.myflorida.com/dor

To speak with a Department of Revenue representative, call Taxpayer Services, Monday through Friday, 8 a.m. to 7 p.m., ET, at 800-352-3671.

Persons with hearing or speech impairments may call our TDD at 800-367-8331 or 850-922-1115.

For a written reply to tax questions, write:

Taxpayer Services
Florida Department of Revenue
5050 W Tennessee St Bldg L
Tallahassee FL 32399-0112

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- Tax Information Publications (TIPs).
- *Facts on Tax*, a quarterly publication.
- Proposed rules, notices of rule development workshops, and more.

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