



What to Expect from a Florida Unemployment Tax Audit

A tax audit should be an educational experience that provides you 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 also helps businesses identify and correct bookkeeping problems that could cause more tax liabilities. We want to help you avoid penalties and interest that can result when you do not file reports or pay taxes correctly or on time.

Why Are Taxpayers Audited?

We conduct unemployment tax audits as required by the US Department of Labor. We audit taxpayers to ensure we:

- 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.

Over 65 percent of all audited unemployment taxpayers do not have to pay more tax. Some audits even result in a tax refund. Others, however, can result in more taxes, penalty, and interest. After your audit is complete, you can review the audit findings and proposed changes to your tax liability. You have the right to protest the proposed changes if you disagree with them.

How Was I Selected?

The Department of Revenue audits two percent of active contributing employer accounts annually to verify that wages have been reported correctly. Ninety percent of unemployment tax audits are selected based on 48 distinct selection criteria; ten percent are selected at random. Some examples of sources used to identify a potential audit lead are:

- Computer-based random selection
- Department of Revenue database information
- Blocked claims
- Delinquent reports
- Collection items

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). Audits can be completed using paper or electronic records (see "What is e-Auditing?"). The auditor begins by mailing you a *Notice of Intent to Audit Books and Records* (UCTFL06F) stating that you or your business will be audited for a specified calendar year. A list of records we want to review will be included.

The types of records needed for an unemployment tax audit may include, but are not limited to:

Time cards	UCT-6s (SUTA)
Check register	Form 940 (FUTA)
Check stubs	Forms 941, 943, 944 (as applicable)
Individual earnings records	Forms W-2 and W-3
Canceled checks	Forms 1099 and 1096
Cash disbursement journal	Schedule C, Form 1040 (sole proprietor)
Payroll ledger	Form 1065 (partnership)
Payroll summaries	Partnership agreement
Petty cash	Form 1120 and attachments (C Corp)
Work orders/invoices	Form 1120S and attachments (S Corp)
Master vendor files	Corporate charter
General ledger	Independent contractor agreement
Income statement	Chart of accounts
Balance sheet	Form 990 (non-profit organizations)
Payroll ledger	Form 1065 (partnership)

You should maintain your payroll records in accordance with Rule 60BB-2.032, Florida Administrative Code.

The auditor will call you to arrange a date for the review of your records. The auditor will also interview you or your authorized representative. You must complete a *Power of Attorney* (Form DR-835) if you want the auditor to discuss the audit with your authorized representative.

The auditor will ask you 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 audit review. An audit may be completed with minimal effort and disruption of daily business activities if records are easily available. Well-organized records and proper documentation can save you time, money, and help to speed the completion of an audit.

If we find a discrepancy, an unemployment tax audit may be extended on a year-to-year basis until the discrepancy no longer exists or for a maximum of five (5) years.

During the audit, you have the right to be informed of basic findings and proposed changes. Feel free to ask questions. Auditors are there to offer and provide you assistance in complying with Florida tax laws.

When the audit is finished, we will mail a survey to you. The survey asks you to rate your satisfaction with certain actions, services, or parts of the audit process. Your responses are strictly confidential. We use the results to improve our audit process.

What is E-Auditing?

Electronic auditing, or e-Auditing, is computer-assisted auditing that uses 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 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.

What Happens After the Audit?

After the audit, the auditor will notify you of the findings and the legal basis for any adjustments that need to be made. The auditor will then conduct an exit interview with you. Make sure you understand the reasons for any proposed changes and ask for an explanation of any items or terms that are unclear to you.

If any adjustments need to be made, you will receive a *Notice of Intent to Make Audit Changes* (Form UCTFL11F). That form summarizes the audit results and includes a written statement of your protest and appeal rights. If the auditor finds that your reported wage data is correct and no additional tax is due, we will send you a letter stating that the audit will result in no changes to the tax returns you previously filed for the audit period that we reviewed.

Once you have received and reviewed the audit results, you will either agree or disagree with them. It is important that you notify the auditor of your agreement or disagreement prior to the expiration of the 30-day period specified on the notice.

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 for you to pay the tax assessment.

If you disagree with the audit results, you have 30 days after the notice is issued to request a conference with the auditor and/or the auditor's supervisor. Most differences can be resolved through these discussions. Disputes or disagreements that cannot be resolved at this level may receive further consideration after we issue a *Notice of Proposed Assessment* (DR-831U).

If your audit results determine that you still owe tax when the audit is complete, we will send you a *Notice of Proposed Assessment*. This notice provides you an official record of the amount due and serves as a request for payment of any unpaid tax amounts. The notice also provides you instructions for filing both a formal or informal protest in the event that you disagree with the proposed changes.

We will not take any enforcement action, such as filing a tax warrant, until you receive your assessment notice and have a chance to pay voluntarily or protest the audit findings. However, if we feel that a delay on our part would jeopardize our ability to collect the tax due, we may take additional action. If you choose:

- Not to respond or cooperate,
- Not to question or attempt to resolve issues, or
- Not to pay the liability finally determined to be due,

your assessment may be forwarded for collection and enforcement action as provided by Florida law.

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

You have the right to be treated fairly by the Department. If you believe that 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 to:

Taxpayer Rights Advocate
Florida Department of Revenue
P.O. Box 5906
Tallahassee FL 32314-5906

Reference Material

Tax laws—The Department of Revenue's Internet site contains statutes, administrative rules, and legislative changes. You can search the Florida Tax Law Library at www.myflorida.com/dor.

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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