



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. An audit helps businesses identify and correct bookkeeping problems that could cause additional tax liabilities. We want to help you avoid penalties and interest that can result when you do not file and 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. Some examples of sources used to identify a potential audit lead are:

- 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). Audits can be completed using paper or electronic records. Generally, we will audit a major tax, such as sales and use tax or corporate income tax, along with related taxes, such as local option taxes.

The auditor begins by mailing you a *Notification of Intent to Audit Books and Records*. 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. You may receive a questionnaire to assess the potential for an electronic audit. 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
- documentation to verify amounts entered on tax returns

You must keep records for three (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 on available information.

In the case of a field audit, the auditor will call you to arrange a date for the review of your records. The auditor will 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 about your type of business, organizational structure, accounting methods, and systems. To minimize disruption of your workplace, you may want to assign certain employees to help the auditor during a field review. An audit may be completed 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, money, and help speed the completion of an audit.

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 with assistance in complying with Florida tax laws.

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.

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
PO 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*, 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 that you notify the auditor of any agreement or disagreement before 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 any. 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 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 that cannot be resolved at this level may receive further consideration after we issue a *Notice of Proposed Assessment*.

After the audit is complete, you will receive a *Notice of Proposed Assessment*, 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 a Tax Audit Satisfaction Survey to randomly selected taxpayers. If you receive a survey, please use it to rate your satisfaction with the 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 be treated fairly 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 850-617-8168 or write:

Taxpayer Rights Advocate
Florida Department of Revenue
PO Box 5906
Tallahassee FL 32314-5906

Reference Material

Tax Laws – Our online Revenue Law Library contains statutes, rules, legislative changes, opinions, court cases, and publications. You can search the library at www.floridarevenue.com.

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

- *Florida Taxpayer's Bill of Rights* (GT-800039)
- *How to Pay Your Audit Assessment and Notice of Taxpayer Rights* (GT-800004)
- *What to Expect from a Florida Reemployment Tax Audit* (RT-800063)

Information, forms, and tutorials are available on our website: www.floridarevenue.com

To speak with a Department representative, call Taxpayer Services at 800-352-3671, Monday through Friday, excluding holidays.

For written replies to tax questions, write to:

Taxpayer Services – MS 3-2000
Florida Department of Revenue
5050 W Tennessee St
Tallahassee FL 32399-0112

To find a **taxpayer service center** near you, go to: www.floridarevenue.com/Pages/contact.aspx

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- Tax Information Publications (TIPs).
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