



What to Expect from a Florida Reemployment Tax Audit

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A tax audit should be an educational experience that provides you an understanding of your responsibilities and rights under Florida tax laws. An audit 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 reemployment tax audits as required by the US Department of Labor to ensure that 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.

Many reemployment taxpayers who are audited do not owe more tax. Some audits even result in a tax refund. Other audits, 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 1% of active contributing employer accounts annually to verify that wages have been reported correctly. Reemployment tax audits are selected based on distinct selection criteria. Some examples of sources used to identify a potential audit lead are:

- Taxpayer filing data and filing behavior (identification of anomalies)
- Statistical data on business industry, size and location
- Federal data
- Third party data
- Information sharing programs with other states and state agencies
- Reemployment Assistance claims
- 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. The auditor begins by mailing you a *Notice of Intent to Audit Books and Records* (Form RT-FL06F) 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 with the Notice. The types of records needed for a reemployment tax audit include:

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

You should maintain your payroll records in accordance with Rule 73B-10.032, Florida Administrative Code.

The auditor will call you to arrange a date for the review of your records. Failure to produce all requested work records will result in the loss of your “earned tax rate” and the assignment of the “standard tax rate” (5.4%) until the quarter following your production of the requested 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 disruption of your 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, a reemployment 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 you information about completing a survey. 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.

What Happens 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 are needed, you will receive a *Notice of Intent to Make Audit Changes* (Form RT-FL11F). This 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.

When you have received and reviewed the audit results, 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 any. 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*.

When the audit is complete we will send you a *Notice of Proposed Assessment*. This assessment 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 a protest if you disagree with the proposed findings.

We will not take any enforcement action, such as filing a tax warrant, until you receive your assessment notice and have had 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 the issues, or
- Not to pay the liability 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 850-617-8168 or write to:

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

Tax laws - Our online Revenue Law Library contains statutes, administrative rules, and legislative changes. You can search the library at floridarevenue.com.

Information, forms, and tutorials are available on our website.

If you need more information or have questions, call Taxpayer Services at 850-488-6800, 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 floridarevenue.com, select "CONTACT," and then select "Taxpayer Service Centers."

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