



What to Expect from a Florida Tax Audit

The Florida Department of Revenue (Department) audits businesses to find out whether state and local taxes were collected, reported, and paid correctly. A tax audit should be educational and promote voluntary compliance. It provides an understanding of taxpayer responsibilities and rights under Florida tax laws. An audit helps businesses identify and correct bookkeeping problems that could cause additional tax liabilities. The Department wants to help taxpayers avoid penalty and interest caused when taxpayers do not collect, file, and pay taxes correctly and on time.

Why Are Taxpayers Audited?

The Department audits taxpayers to:

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

While most tax returns are accepted as filed, some returns are audited 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 varies 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?

The Department conducts two types of audits: those done in Department offices (desk audits), and those done at your place of business (field audits). Audits can be completed using paper or electronic records. Generally, a major tax, such as sales and use tax or corporate income tax, will be audited along with related taxes, such as local option taxes.

The auditor begins by mailing you a *Notice of Intent to Audit Books and Records* (Form DR-840). 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:

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| • Federal income tax returns | • Cash receipt and disbursement journals |
| • Florida tax returns | • Purchase and sales journals |
| • Depreciation schedules | • Sales tax exemption or resale certificates |
| • General ledgers and journals | • Documentation to verify amounts entered on tax returns |
| • Property records | |

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, your tax liability will be estimated based on available information.

For 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 *Florida Department of Revenue Power of Attorney and Declaration of Representative* (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 the 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 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 provide assistance in complying with and understanding Florida tax laws.

What is Electronic Auditing?

Electronic auditing, or eAuditing, 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 the auditor uses computer software programs to analyze the data. The Department prefers to examine electronic records whenever possible, because it is the most accurate and efficient method of conducting an audit. Florida law requires sales and use tax records be made available to the Department in an electronic format when the dealer maintains such records electronically.

Can I Request Technical Assistance During the Audit?

During the audit, when the auditor and taxpayer agree on the facts of the case but disagree on how tax law should be applied, the taxpayer may request a written statement or Technical Advisement from Technical Assistance 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 and detailed explanation of the facts of the case and questionable issue(s) to **Technical Assistance** at 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 from Technical Assistance.

The auditor may also request guidance on the taxability of certain transactions or issues during the audit. If this occurs, you will receive a copy of the auditor's 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 the Department's Internal Technical Advisement (ITA). If a decision is made after the audit is submitted for review or assessment, any necessary adjustments to the audit findings will be made.

What Happens After the Audit?

The auditor will notify you of the findings and the legal basis for any adjustments. For 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 any items that are unclear. 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, the Department 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 the findings. It is important 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 a *Notice of Proposed Assessment* is issued.

After the audit is complete, you will receive a *Notice of Proposed Assessment*, which provides you with an 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 if you disagree with the proposed changes. The Department 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.

Instructions for completing a *Tax Audit Satisfaction Survey* will be mailed to randomly selected taxpayers. Please complete it to rate your satisfaction with the audit actions or services. The survey results are used 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 you have not been treated fairly or 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 Department's Taxpayers' Rights Advocate at 850-617-8168 or write to the **Office of Taxpayers' Rights Advocate** at PO Box 5906, Tallahassee FL 32314-5906.

Reference Material

Tax Laws – The Florida Statutes are available at leg.state.fl.us.

Brochures – Download these brochures from floridarevenue.com/forms:

- *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)

Contact Us

Tax forms and publications are available at floridarevenue.com/forms.

Information and tutorials are available at floridarevenue.com/taxes/education.

To speak with a Department of Revenue representative, call Taxpayer Services at 850-488-6800, Monday through Friday, excluding holidays.

To find a **Taxpayer Service Center** near you, visit floridarevenue.com/taxes/servicecenters.

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