

## WHAT TO EXPECT

The auditor will contact you to schedule an appointment. A date and time will then be agreed upon.

The audit may take place at the following locations:

- ▶ Your place of business.
- ▶ One of the Department's local offices.
- ▶ Your accountant's, attorney's, or other representative's office.

The audit relates to excise taxes you may pay on your excise tax returns, such as:

### BUSINESS AND OCCUPATION TAX

### RETAIL SALES TAX

### USE TAX

### PUBLIC UTILITY TAX

An audit of your business activities may cover several major areas, including:

### INCOME

Verification of proper amounts, classifications, and documentation.

### DEDUCTIONS AND EXEMPTIONS

Verification of proper amounts, classifications, and documentation.

### PURCHASES

Verification of retail sales or use tax paid on capital assets, supplies, or articles manufactured for your own use.

## PREPARING FOR AN AUDIT

The auditor will explain the records required for the review. Gather these before your meeting.

The audit period is usually for the past four calendar years, plus the current year through the end of the last completed calendar quarter.

The records requested may include the following:

- ▶ Washington State excise tax returns and workpapers.
- ▶ Federal income tax returns for the business.
- ▶ Summary accounting records and source journals, such as check registers, general ledger, sales journal, general journal, cash receipts journals, and other records used to record income and expenses.
- ▶ Sales invoices.
- ▶ Purchase invoices, such as accounts payable and receipts.
- ▶ Depreciation schedule and purchase invoices for assets acquired during the audit period.
- ▶ Reseller permits/resale certificates for wholesale sales.
- ▶ Supporting documentation for all deductions and exemptions.

Although most audits can be completed with the above records, additional documents may be requested.

We are committed to working with you in a professional and cooperative manner.

### Electronic Records

The auditor will use your electronic records, when available. This improves the accuracy of the audit and reduces the time it takes to complete, minimizing the inconvenience to you.

### Sampling

Sampling is frequently used to realize efficiencies for both the Department and taxpayer. This helps minimize costs associated with the audit, such as retrieving and examining documents.

The auditor will discuss the options to select the most appropriate method.

### Confidentiality

*All information you provide will be maintained in strict confidence and is not available to the public. However, the Department has information-sharing agreements with the Internal Revenue Service and other state agencies.*

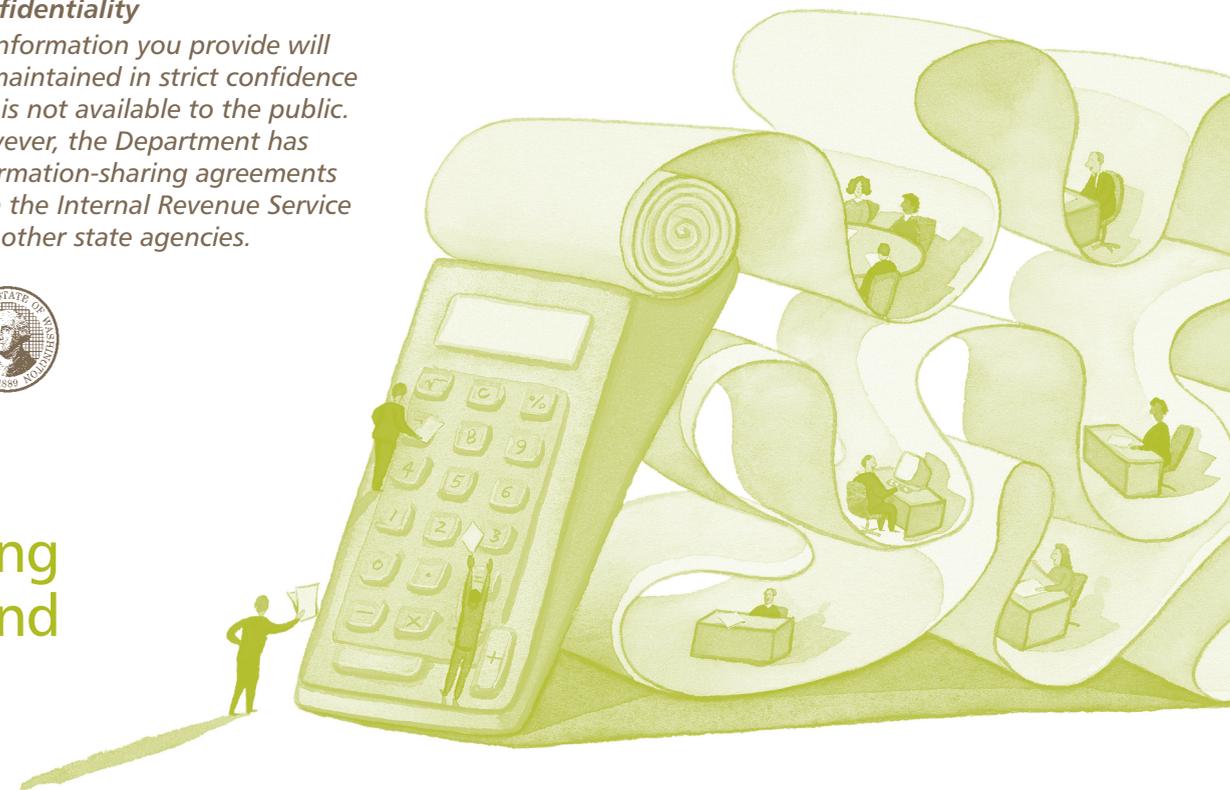


## DURING AN AUDIT

The auditor will take a tour and/or observe your operations to get a better understanding of your business activities and accounting records.

The auditor will review those records and provide you with valuable information and instructions for future use.

The time to complete an audit varies upon the size of your business.



## FINALIZING THE AUDIT

You will be notified of the audit findings. The auditor will explain any adjustment to you or your representative before finalizing the audit. If you have information we have not considered or believe a mistake has been made, please contact the auditor promptly.

### IF YOU AGREE WITH THE ADJUSTMENTS

You have the option to prepay your assessment once the audit has been completed. Full payment will include the tax, any applicable penalties, and estimated interest. Since a full prepayment stops the accrual of interest, you will save money by making the payment early. Any questions you have about making a prepayment should be discussed with the auditor.

### IF YOU DISAGREE WITH THE ADJUSTMENTS

You may request a meeting with the auditor's manager and review disputed issues.

### IF AN AGREEMENT CANNOT BE REACHED

You have 30 days from the date the audit report is mailed to appeal to the Department's Appeals Division.

If you file an appeal prior to the assessment's due date, you should pay the unprotested amounts. Payment is not required for the protested amounts and will remain due pending the appeal. However, interest continues to accrue until taxes are paid in full.

If you file an appeal more than 30 days after the audit report is mailed, you must pay the total amount due and petition for refund.

## RIGHTS AND RESPONSIBILITIES

### Your rights as a taxpayer include:

- ▶ Simple and prompt administrative process for tax refunds and credits.
- ▶ Timely, fair and equitable treatment with dignity and respect.
- ▶ Accurate written information on reporting instructions, appeal procedures, refund claims, and reasons for assessment.
- ▶ Public hearings on proposed rules.
- ▶ Review and appeal of assessments, business registration revocation, and adverse rulings.
- ▶ Remedies when statutes and rules are found to be unconstitutional.
- ▶ Confidentiality of business and financial information.

### Your responsibilities as a taxpayer include:

- ▶ Registering with the Department.
- ▶ Knowing your tax reporting obligations and seeking instructions when you are uncertain.
- ▶ Keeping accurate and complete business records.
- ▶ Filing returns and paying taxes in a timely manner.
- ▶ Ensuring the accuracy of the information entered on your tax return.
- ▶ Substantiating claims for refund.
- ▶ Notifying the Department and paying taxes promptly when closing a business.
- ▶ Timely respond to communications from the Department.

If at any time you need help understanding your rights and responsibilities, please contact us.

This brochure provides general information on the audit process. If you need more information, please contact your local Department of Revenue office.

### DEPARTMENT OF REVENUE OFFICES

<b>Bellingham</b> (360) 594-4840	<b>Spokane</b> (509) 327-0200
<b>Bothell</b> (425) 984-6400	<b>Tacoma</b> (253) 382-2000
<b>Kent</b> (253) 437-3440	<b>Vancouver</b> (360) 256-2060
<b>Port Angeles</b> (360) 417-9900	<b>Wenatchee</b> (509) 663-9714
<b>Richland</b> (509) 734-7526	<b>Yakima</b> (509) 454-5160
<b>Seattle</b> (206) 727-5300	<b>Main Office</b> (360) 725-7516

### TELEPHONE INFORMATION CENTER 1-800-647-7706

### WEBSITE

<http://dor.wa.gov>

### HOW TO PREPARE FOR AN AUDIT

If you're facing an audit, or just want to know more about audits, this video will give you information about what to expect before, during, and after an audit. Find it on our home page, under **Learn about...**



To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users please call 1-800-451-7985.

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# THE AUDIT PROCESS

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The Washington State Department of Revenue routinely audits businesses to determine whether state excise taxes were reported and paid correctly. Audits are a learning opportunity for correct excise tax reporting.

