



PREPARING FOR AN AUDIT

The auditor will first contact you to schedule a mutually convenient time, date and location for an audit. The auditor and you will agree to a date that will provide adequate lead-time for you to prepare your accounting records. Most audits are performed at the business location, but may take place at the CPA/bookkeeper's office, in the owner's home, or at the Department of Taxation. This is normally based on the convenience of the taxpayer.

If the business is registered for Sales and Use Tax with the department the audit will usually cover the previous 3 years. If not registered, the audit can go back as far as 8 years. **(NRS 360.355)**. A Modified Business Tax, if the business has employees, or other Excise Tax audit is usually done in conjunction with a Sales and Use Tax audit. Be aware that if you register for Sales and Use Tax, you are not automatically registered for any other required Excise Tax.

For a Sales and Use Tax audit, depending on the type of business, you will need some or all of the following business records:

1. Copies of previously filed tax returns with any related reports or work papers used to fill them out.
2. Detailed general ledgers and a chart of accounts.
3. Monthly sales journals or registers.
4. Sales invoices.
5. Resale certificates and exemption letters collected.
6. Federal Income Tax returns for the years under audit.
7. All purchase invoices.
8. Cash disbursement journals or check registers.
9. Asset depreciation schedule or fixed asset schedule.
10. Bank statements or cancelled checks
11. Cash register "Z" tapes.
12. Other records the auditor may identify as the audit is performed.

Not all businesses need or have such extensive accounting records. The auditor can determine during the initial phone interview the nature and extent of the records required for your audit. The Nevada Revised Statutes require that a registered business keep their records for at least 4 years, 8 years if not registered. **(NRS 372.735)**

Upon completion of the audit, the auditor will explain the findings and the Department's appeal procedure in detail. The audit may result in additional tax owed a credit for over paying a tax liability, or no financial adjustment because the business is in full compliance of the tax law. After a supervisory review of the audit, a Notice of Deficiency or Credit along with a letter explaining how the audit was performed and the results of the audit will be sent to you. In addition a Petition for Redetermination form, a copy of the related statutes regarding your rights and responsibilities, and a return envelope will be included. The Notice of Deficiency will clearly show the due date for payment of any additional tax due or date to petition (appeal) the determination to avoid further penalties and interest. **(NRS 360.350, NRS 360.400)**

Our job is to educate the taxpayer and assure that businesses comply with tax law. Every business and taxpayer is required to pay their fair, legal share of the tax. You should also know that auditors can not be evaluated based on the amount of tax recovered during an audit. **(NRS 360.145)**
