

9/8/22

Nevada Tax Commission
1550 College Parkway, Suite 115
Carson City, NV 89706

Subject: Confusion on what is a Revenue Deficiency and the Appeal Process for such a Billing

Hello Commissioners,

Please let me start out and say that I have a lot of respect for Lizette and her staff in Revenue (example: Estela and Mary). Also, there is a lot of respect for Sarah and Executive Director Hughes of the Executive Team. What I am about to point out and discuss is hopefully an attempt to improve the Department's method on communicating with the public.

In my dealing with taxpayers, the most misunderstood and confusing correspondence received from the Department is a **Revenue Deficiency**. Commissioners, you may be asking why? Well, a **Revenue Deficiency** is a not an **Audit Deficiency**, it is a billing created by a Revenue Officer not an Auditor. The following are facts than make it different from an audit.

1. The Revenue Officer never examined items (example: sales invoices) that you would find listed on an audit confirmation letter which is issued by an auditor to the taxpayer. The Revenue Officer will do the billing estimation from the desk. He/she will never do a walkthrough of the business as the Auditor is required to do. He/she will use what he/she considers the best information possible. That information is usually the account summary from TAS. Now, I ask you, is that the best information possible. I think you would agree no. Nothing beats examining financial information of the business.
2. No workpapers are provided by the Revenue Officer to the taxpayer. The Revenue Officer may have an excel spreadsheet that contains numbers but Commissioners, you would agree that is not a workpaper. This is every different than what an auditor does during an audit. The auditor will have audit schedules and supporting documentation to support his/her audit conclusion. These audit schedules and supporting documentation is provided to the taxpayer.
3. No exit meeting is done by the Revenue Officer with the taxpayer. An auditor is required to perform an exit meeting with the taxpayer.
4. The Revenue Officer does not provide a written explanation for the Revenue Deficiency. An auditor provides what is called an AU39 (written audit report) for the Audit Deficiency. The AU39 (written audit report) explains the audit procedures and audit findings. It also has a section explain "How to appeal the Audit Deficiency". On the other hand, since the Revenue does not provide a written explanation for the Revenue Deficiency, there is no written explanation provided to the taxpayer on "How to appeal the Revenue Deficiency".

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5. The auditor encloses a petition for redetermination or a request for hearing with the Audit Deficiency and AU39 (written audit report). A Revenue Officer never sends a petition for redetermination or a request for hearing to the taxpayer. With my current client, I went into the Department website and print out a Request for Hearing, which leads me into my final point.
6. There is no clear understanding by the Department, much less the public, on “How to appeal a Revenue Deficiency?”. I have been waiting for a month to get a response from the Department for a client and still am not getting clear answers. Remember, no petition for redetermination or request for hearing was provided to my client. No workpapers or written explanation was provided to my client. No exit meeting was provided to my client.

I do think the Commissioners would agree with me, not only is there confusion about a Revenue Deficiency, **but there is a clear violation of the Nevada Taxpayer Bill of Rights.**

Now do I think Revenue or Executive team are violating my client’s rights on purpose. Maybe not but they do need to issue a **Technical Bulletin** as required by NRS 360.133 to explain their side of the situation. It would allow them to show my facts are incorrect. Lastly, it would allow for public debate which would lead to improvement which is all I am asking for.

If you have any questions, please feel free to contact me.

Thank You and Be Safe!

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