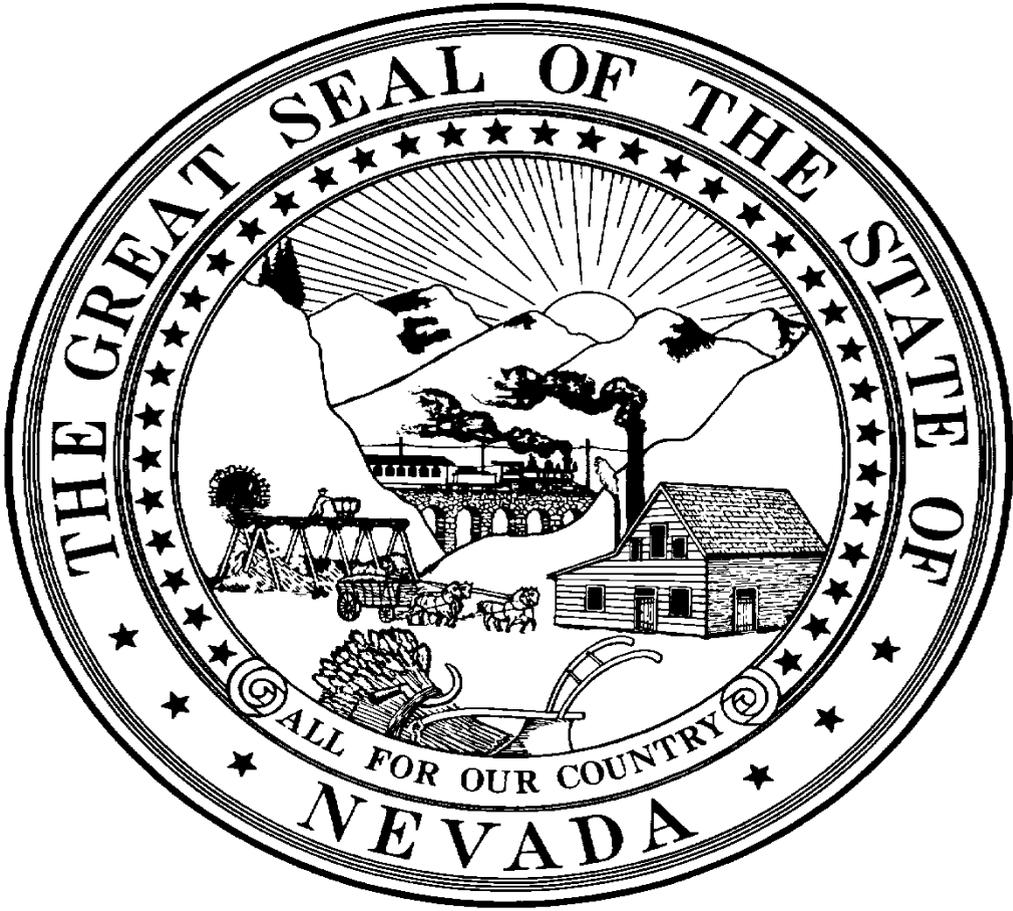


# STATE OF NEVADA DEPARTMENT OF TAXATION

## The Audit



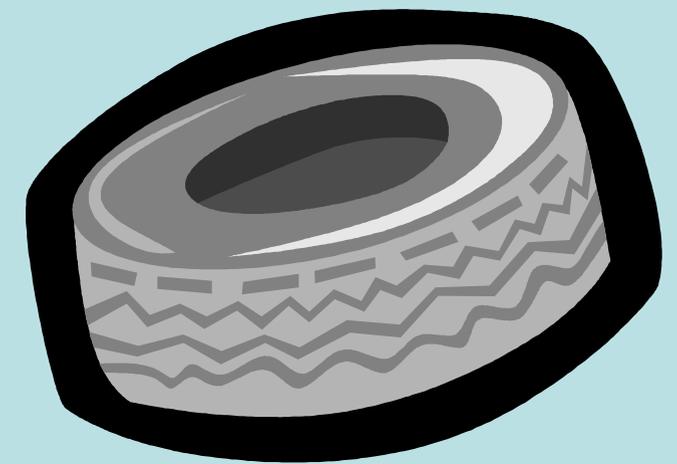
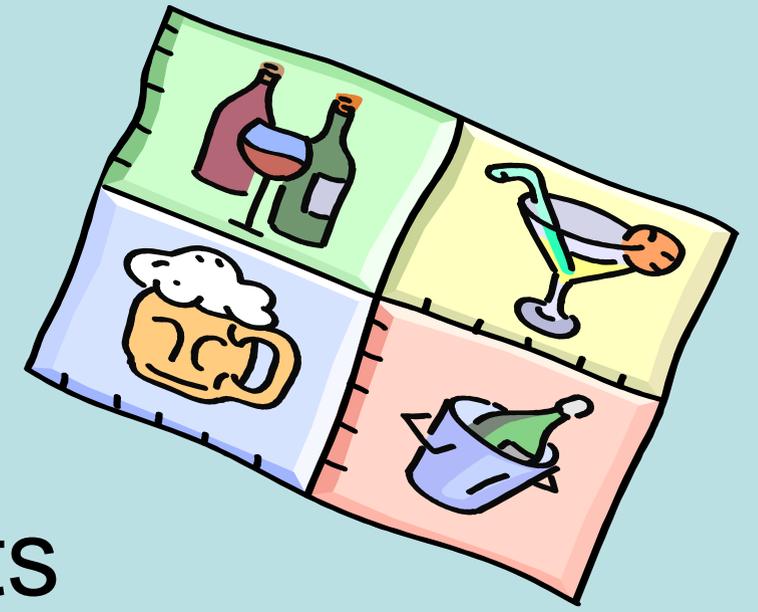
# AUDIT SECTION

- Is responsible for ensuring taxpayers are in compliance with reporting requirements for various taxes that the Department administers
- Audits are conducted throughout Nevada and the other forty-nine states through our diversified audit program



# TYPES OF AUDITS conducted are on:

- Sales/use tax
- Modified Business Tax/Business Tax
- Cigarettes and Other Tobacco Products
- Live Entertainment (non-gaming)
- Tire Tax
- Liquor
- Net Proceeds of Minerals
- Other Misc. Excise Taxes



# AUDIT PERIOD

- **Three years back if the business has filed sales tax returns**
- **Eight years back if the business has not filed sales tax returns**



***NRS 360.355***

# CRITERIA FOR AUDIT SELECTION

- Risk-based business activity
- Sale/purchase of business
- Closing business
- Large refund request



# FIRST CONTACT BY THE AUDITOR IS TO:

- Learn about your business
- Ask about business/records
- Schedule an appointment
- Get information to send a  
**Confirmation Letter**



# RECORDS NEEDED FOR THE AUDIT

For sales and use tax :

## SALES

- Copies of previously filed sales/use tax returns and supporting paperwork
- General ledgers/chart of accounts
- Sales journals or registers
- Cash register “Z” tapes or Point of Sale (POS) reports
- Sales invoices
- Resale certificates, exemption letters, shipping docs to support exemptions
- Federal Income Tax returns



# RECORDS NEEDED (*continued*)

## USE TAX

- **Purchase invoices/credit card statements**
- **Disbursements journals/check registers**
- **Fixed asset schedules**
- **Bank statements/cancelled checks**
- **Construction contracts**

**Other records may be needed depending on the business**



# RECORDS NEEDED (*continued*)

- **Records needed for Modified Business Tax (MBT)**

- ✓ Copies of filed Employment Security reports (form NUCS 4072)
- ✓ Copies of previously filed MBT returns
- ✓ Records of Employee Health Benefits paid or direct medical expenses paid by employer



# RECORDS NEEDED (*continued*)

## Records needed for Live Entertainment Tax audits (non-gaming)

- Records of gross receipts collected for admission and cover charges for live entertainment and
    - Entertainment fees
    - Service Charge
    - Membership fees
    - Required minimum purchase of food, beverages or merchandise
    - Copies of leasing agreement (if promoter)
    - Any other fee or charge required in exchange for admission
- For Escort Services, the date of the service and the full amount charged for the service.



# CONFIRMATION LETTER

Dear ,

This letter confirms our telephone conversation **[DATE]**, scheduling a Sales and Use Tax audit of the above referenced business, covering the period of **AUDIT PERIOD**. We agreed this audit will begin on **[START DATE]** at approximately **[START TIME]** at **AUDIT LOCATION ADDRESS**. I estimate the total time I will need to spend at the audit location will be **[ESTIMATED FIELD TIME]**. The Estimated Completion Date (ECD) is **ECD DATE** , including my field and office time. Any changes to the ECD, for your convenience or the Department's, will be confirmed in writing. A change in ECD may impact any interest charge. This audit will include a review (and possible audit) of your Modified Business Tax reporting. The following records (if maintained) are required to perform the audit:

## **LISTING OF RECORDS NEEDED FOR THE AUDIT**

**It may become evident during the audit that other records are required. Those records will be requested as they are identified.**

I will need to conduct a **WALK-THROUGH** of the business at the outset of the audit, and a place to work with an electrical outlet. If you have any questions, please contact me at **AUDITOR PHONE #** or my supervisor, **{SUPERVISOR NAME}** at **SUPERVISOR PHONE #**

# “What is an ECD”?

- An ECD stands for the Estimated Completion Date of the audit. This does NOT mean how much time the auditor will spend at your place of business. 
- The ECD should allow for both parties to an audit, the taxpayer and the auditor, to get everything resolved in an audit, get administrative approval and send the Deficiency Notice, if any.
- The Taxpayer Bill of Rights requires that the Department notify you of that timeframe. So, don't be scared of that date...its a convenience to you more than anything else. 

# AUDIT METHODS

**The Department uses Sampling methods whenever possible.**

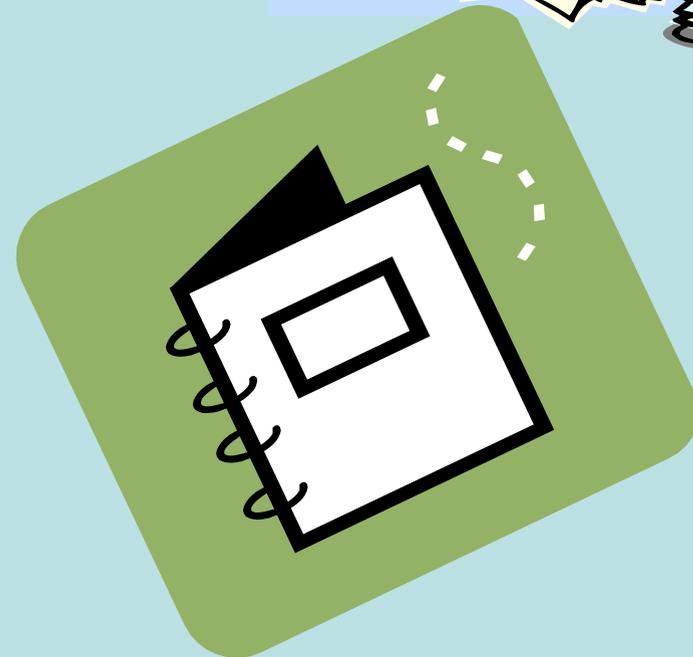
**A walk-through of the business will also be done.**



# AUDIT WORK PAPERS

## Consist of

- **Preliminary schedules**  
*(for Taxpayer review to see if you have additional information)*
- **Audit exit letter**
- **Final schedules**
- **Deficiency Notice**



# Deficiency Notice

*Pay attention to the due date – 45 days from date of letter.*

*Failure to take action on or before that date may result in additional 10% penalty*

Taxpayer  
Taxpayer's Address

## DEFICIENCY NOTICE

Account # \_\_\_\_\_ Amount Due: \_\_\_\_\_ Due Date: \_\_\_\_\_

A sales & Use Tax audit has been completed of your records for the period from \_\_\_\_\_ through \_\_\_\_\_, creating a deficiency. A breakdown of this deficiency is as follows:

TAX \$ \_\_\_\_\_ PENALTY \$ \_\_\_\_\_ INTEREST \$ \_\_\_\_\_

Interest is calculated through the due date listed above, and will continue to accrue on the unpaid tax liability at the rate of 1% per month (or fraction thereof) until paid. Pertinent portions of the law relating to this deficiency have been provided. Please note that if this deficiency is not paid, or the attached Petition for Re-determination is not completed by the above payment due date of \_\_\_\_\_, the Department is required by statute to assess an additional 10% penalty. Per NRS 360.360, if you fail to file a petition within the 45-day time frame, you will waive your right to appeal for recovery or refund.

Thank you for your courtesies and cooperation. If you have any questions, please contact the Audit Division at the phone numbers listed above.

Sincerely,

Auditor II

# If you agree with the audit

**Important!**

**Pay the assessment by the due date**

**or.....**

**contact the Department**

**Revenue Officer for**

**possible installment payment agreement**



# If you disagree with the audit

- **Complete and send in the Petition form and**
- **request a redetermination if you have more information or documents, or**
- **request an Oral Hearing for legal issues**



# DEPARTMENT OF TAXATION

## Contact Information

Our offices are open Monday-Friday  
8:00 AM – 5:00 PM



Contact our Call Center at  
1-866-962-3707

### **Southern Nevada:**

Grant Sawyer Office Building  
555 E. Washington Avenue  
Suite 1300  
Las Vegas, NV 89101

**OR**

2550 Paseo Verde Parkway  
Suite 180  
Henderson, NV 89074

### **Carson City:**

1550 College Parkway  
Suite 115  
Carson City, NV 89706-7937

### **Reno:**

4600 Kietzke Lane  
Building L, Suite 235  
Reno, NV 89502