



NEVADA DEPARTMENT OF TAXATION – COMPLIANCE DIVISION

The Audit Process

- ▶ Responsible for ensuring taxpayers are in compliance with the reporting requirements for the various taxes administered by the Department
- ▶ We conduct audits locally within the State of Nevada as well as across the United States
- ▶ Programmatic selections – internal criteria
- ▶ Taxpayer/informant evasion tips
- ▶ Field observations

AUDIT SECTION

- ▶ Requested a large refund of taxes – need to verify
- ▶ You are closing your business
- ▶ You are selling or buying an established business
- ▶ Audit Selection various Department parameters

Audit Section other factors

WHY ARE YOU GETTING THE PHONE CALL?

Most common question from companies is; “**Why are you auditing me?**”

Any business has an audit potential every three years

- ▶ Sales and Use Tax
- ▶ Modified Business Tax
 - ▶ General Business
 - ▶ Financial Institutions
 - ▶ Mines
- ▶ Cigarettes
- ▶ Other Tobacco Products
- ▶ Live Entertainment (non-gaming)
- ▶ Cannabis
- ▶ Liquor
- ▶ Tire Tax
- ▶ Other Excise taxes
- ▶ Net Proceeds of Minerals
- ▶ Commerce Tax
- ▶ Transportation Connection Tax
- ▶ Abatement Contracts

WHAT TAXES DOES THE DEPARTMENT AUDIT?

NRS 360.355

▶ Registered and Filing Returns:

▶ Three (3) years

▶ Not Registered or Not Filing Returns:

▶ Eight (8) Years

▶ Date the return was due or the date the return was filed

▶ Whichever occurs later

WHAT TIME PERIOD ARE WE AUDITING?

- ▶ Initial contact will be attempted via phone
 - ▶ Using number listed on your account
- ▶ If we can't reach you a letter will be sent asking you to contact the auditor
 - ▶ Using address on file
- ▶ If contact is unsuccessful an estimated audit will be developed
- ▶ During the initial contact:
 - ▶ Learn about your business
 - ▶ Ask about your records
 - ▶ Schedule the appointment
 - ▶ Confirmation Letter sent

AUDITOR CONTACT

- ▶ Sales Tax Returns
 - ▶ Supporting Document
 - ▶ Chart of Accounts
 - ▶ General Ledger
 - ▶ Sales Journal
 - ▶ Resale Certificates
 - ▶ Exemptions Letters
 - ▶ Shipping Documents
 - ▶ Federal Income Tax Returns
 - ▶ 1099-Ks
 - ▶ Z-Tapes, POS Reports
 - ▶ Sales Invoices
- ▶ Verifying total sales were reported correctly
 - ▶ Verifying exemptions were properly documented
 - ▶ Verifying all sales tax collected was reported

RECORDS NEEDED FOR SALES TAX

- ▶ Chart of Accounts
 - ▶ General Ledger
- ▶ Credit Card Statements
- ▶ Bank Statements
- ▶ Fixed Asset Schedule
- ▶ Corresponding Purchase Invoices
- ▶ Contracts
- ▶ Verifying sales tax was paid on all purchases for use within the business
- ▶ If sales tax was not charged verifying use tax was reported properly

RECORDS NEEDED FOR USE TAX

- ▶ Modified Business Tax (MBT) Returns
 - ▶ Supporting Documents
- ▶ Employment Security Division NV UI wage reports for unemployment Insurance
- ▶ Health Insurance Invoices
 - ▶ Paid by the company
- ▶ Health Insurance paid by the employees (not deductible)
- ▶ Verifying correct wages were reported
 - ▶ Line 3 of ESD to Line 1 of MBT
- ▶ Verifying proper health insurance was claimed
 - ▶ Amount paid by the company less the amount paid by the employee

RECORDS NEEDED FOR (MBT)

- ▶ The auditor will let you know what records are required to complete the audit
- ▶ Examples:
 - ▶ Live Entertainment
 - ▶ Admission Charges
 - ▶ Tire Tax
 - ▶ Ledger for tires sold
 - ▶ Liquor
 - ▶ Purchase Invoices from approved wholesalers

IF YOUR COMPANY HAS OTHER TAXES

- ▶ Estimated Completion Date (ECD)
 - ▶ This is the date we must complete the audit by
 - ▶ Not how long we will be at your place of business
 - ▶ NRS 360.232

- ▶ Field work timeline is dependent on your documentation and the complexity of your business
- ▶ Standard is one week

HOW LONG WILL THE AUDIT TAKE?

- ▶ The Department uses sampling methods whenever possible
 - ▶ Sales are customarily done on a three month sample
- ▶ Extra-ordinary items are not sampled
 - ▶ Assets are customarily reviewed for the entire audit period
- ▶ The auditor will always request a walk-through of the business
 - ▶ Helps the auditor to:
 - ▶ Gain understanding
 - ▶ Ask appropriate questions

HOW MANY DOCUMENTS WILL THE AUDITOR NEED?

Field Work

- ▶ Preliminary (Draft) Schedules
 - ▶ To determine if there are any outstanding items before the audit is submitted for review
- ▶ There can be multiple revisions as this point
- ▶ Exit review/discussion

Completed Audit Packet

- ▶ Certificate of Service
- ▶ Petition for Redetermination
- ▶ Notice of Audit Determination
- ▶ Final Schedules
- ▶ Audit Exit Letter
- ▶ Survey

AUDIT DOCUMENTS

Do You Agree?

- ▶ Two Options
 - ▶ Pay the audit by the due date
 - ▶ Prior to the due date contact your Revenue Officer to make other payment arrangements
 - ▶ Pay on-time to avoid an additional 10% penalty

Do You Disagree?

- ▶ Fill out the Petition for Redetermination Form
 - ▶ Prior to the due date send form back to the Department
 - ▶ Include additional documents with petition if necessary

WHAT TO DO WHEN YOU RECEIVE THE AUDIT PACKET IN THE MAIL?

- ▶ If you are still not in agreement with the audit findings after the redetermination is complete you are entitled to request a hearing
 - ▶ This form will be provided in the packet with the redetermination findings
 - ▶ The hearing will take place with an administrative law judge and they will issue a finding after the hearing

RIGHTS AFTER REDETERMINATION

- ▶ If you do not agree with the Administrative Law Judge's finding you (or the Department) can appeal the decision to the Nevada Tax Commission
 - ▶ Once heard by the Nevada Tax Commission the Department must follow their orders however, your company can appeal the decision to district court and potentially all the way to the Nevada Supreme Court
 - ▶ The assessed tax must be paid in order to proceed to this step

RIGHTS AFTER HEARING

- ▶ Please be advised that any responses by the Department made to taxpayer inquires are only binding if they are in writing, such as Nevada Revised Statutes, Administrative Code, Technical Bulletins, Nevada Tax Notes and other written correspondence
 - ▶ The audit report you receive is considered written advice and can be relied upon

REMINDER

DEPARTMENT OF TAXATION CONTACT INFORMATION

Carson City Office

3850 Arrowhead Dr
2nd Floor
Carson City, NV 89706

Las Vegas Office

700 E. Warm Springs Rd
2nd Floor
Las Vegas, NV 89119

Reno Office

4600 Kietzke Ln
Building L, Suite 235
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Call Center 1-866-962-3707

Hours: 7:30 am to 5:00 pm PST