

Why am I being audited?

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

When and where will the audit be performed?

An auditor will contact you to schedule an appointment. It will be at a mutually agreed upon date and time.

The audit may be performed at:

- your business or home.
- one of the Department's local offices.
- your accountant's, attorney's, or other representative's office.

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

What will the auditor review?

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

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

1. **Income** — verification of proper amounts, classifications, and documentation.
2. **Deductions and exemptions** — verification of proper amounts, classifications, and documentation.
3. **Purchases** — verification of retail sales or use tax paid on capital assets, supplies, or articles manufactured for your own use.

The above three categories relate to the major excise taxes you may pay on your tax returns such as:

- business and occupation tax
- retail sales tax
- use tax
- public utility tax

How can I prepare for an audit?

The auditor will describe the records that will be reviewed. You should gather them before meeting with the auditor.

The records requested usually 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, the general ledger, sales journal, general journal, cash receipts journals, and any other records you use to record income and expenses
- sales invoices
- purchase invoices (i.e., accounts payable, receipts)
- depreciation schedule and purchase invoices for assets acquired during the audit period
- resale certificates for any wholesale sales made
- supporting documentation for all deductions and exemptions

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

Electronic Records

The use of electronic records, when available, can greatly reduce the time required to complete the audit. You can provide electronic records on floppy disk, cd, or via e-mail.

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.

If there are numerous records to review, document sampling is an option. The auditor will discuss the options available with you and together select the most appropriate method.

Confidentiality

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

What happens during an audit?

The auditor may take a plant tour and/or observe your business operations. This will help their understanding of your business activities and accounting records.

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

What happens after 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 you believe we made a mistake, please contact the auditor promptly.

If you agree with the adjustments:

The auditor will ask if you want to make an audit prepayment for additional taxes owed. Full payment will include the tax, assessment penalty, and esti-

mated interest. You would save money by making the payment since interest accrues until the taxes are paid in full.

The audit will be processed and the assessment package will be mailed to you. This will take approximately four to six weeks.

If you have not prepaid the assessment, you have 30 days from the date it was mailed to pay in full. If you prepaid the assessment, a balance due may still exist because of the estimated interest calculation.

Additional interest and late payment penalties may be added if payment is not received by the due date.

Please contact the audit manager if payment cannot be made promptly.

If you have overpaid your taxes, you will receive a credit notice to apply against future returns. However, you may request a refund check.

If you disagree with the adjustments:

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

If 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.

What are my rights and responsibilities as a taxpayer?

Your rights as a Washington State taxpayer include the right to:

- 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.

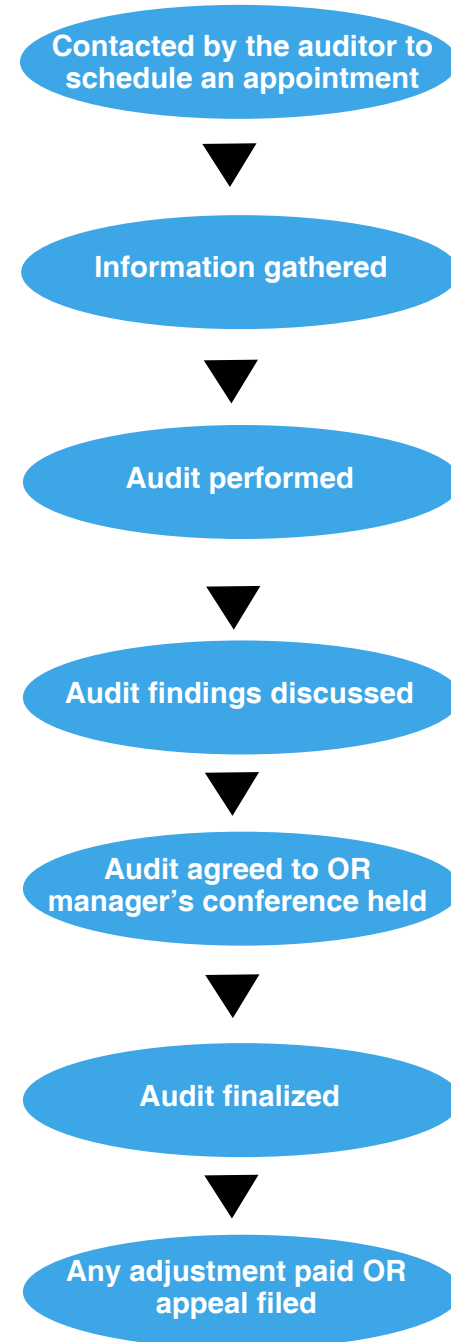
Your responsibilities as a taxpayer include:

- registering with the Department of Revenue.
- 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 of Revenue and paying taxes promptly when closing a business.

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

NOTE: General information is provided in this brochure. If you need more information about the audit process, please contact your local Department of Revenue office.

Audit Process



Department of Revenue Offices

Bellingham (360) 676-2114	Spokane (509) 482-3800
Everett (425) 356-2911	Tacoma (253) 593-2722
Kennewick (509) 585-1501	Tumwater (360) 705-6705
Kent (253) 437-3440	Vancouver (360) 260-6176
Port Angeles (360) 457-2564	Wenatchee (509) 663-9714
Seattle (206) 956-3000	Yakima (509) 575-2783

Telephone Information Center
1-800-647-7706

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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AUDIT PROCESS

What to expect

How to prepare

What your rights are

