

Is your business facing a FDOR Sales Tax Audit? You will want to read this...

By Peter Pappas //

Like the IRS, the Florida Department of Revenue generally audits Florida residents and Florida businesses because they have reason to believe they may not be in compliance with the tax laws.

Florida's audit selection process:

The FDOR uses a variety of strategies for collecting information about Florida residents and businesses. Here are some of the sources it regularly uses to identify a potential audit candidate:

- IRS information
- Information from other states or other state agencies
- Computer-based random selection
- Department of Revenue database information
- Business publications, periodicals, journals, and directories

Although it is not listed here, the FDOR also selects audit candidates based on tips from other taxpayers.

The conduct of the audit:

The FDOR conducts two types of audit: The Desk Audit, which takes place in a FDOR office, and the Field Audit, which takes place at the taxpayer's place of business.

Usually the subject of a tax audit is a major tax, such as the sales and use tax or the corporate income tax, along with related local option or emergency excise taxes.

The audit process begins when the FDOR issues a Notification of Intent to Audit Books and Records (Form DR-840 or CA-I), which shows the audit period and the type of taxes to be examined. The auditor will give you a detailed list of the records he wants to examine.

The types of records he will want to review will include, but are not limited to:

- Federal income tax returns
- Florida tax returns
- Depreciation schedules
- General ledgers and journals
- Property records, cash receipt and disbursement journals
- Purchase and sales journals
- Sales tax exemption or resale certificates
- Documentation to verify amounts entered on tax returns.

You may receive a questionnaire to assess the potential for an electronic audit.

The FDOR may audit for periods of more than three years if you did not file a tax return for those periods or filed a substantially incorrect return.

If you fail to produce records, the FDOR will estimate your tax liability based upon available information. This always results in a higher tax liability and should be avoided at all costs. In the case of a field audit, the auditor will call you to arrange a date for the review.

The auditor will interview you or your tax representative. The auditor will ask you detailed questions about your business, its organizational structure, its accounting methods, and internal control systems.

To minimize disruption of the workplace, we have our clients assign a single employee to be our liaison during the audit process.

Throughout the audit, you have a right to know the basic findings and proposed changes. Auditors are encouraged to assist you in complying with Florida tax laws; however, some are better at this than others.

Why you should hire an experienced tax professional
FDOR auditors are given great power to determine and assess taxes, penalties and interest against you or your business entity. They also have the authority to refer cases to the FDOR criminal investigation division.

Auditors are trained in Florida tax law and, unless you are a tax lawyer yourself, have a distinct and overwhelming advantage over the average taxpayer. The best way to even the playing field is to hire an experienced tax professional who knows as much or more than the agent about Florida tax law and procedure.

Whether you hire The Pappas Group to assist you in your Florida tax audit or not, we strongly urge you not to represent yourself.

INFO: Peter Pappas is a tax attorney and Certified Public Accountant. His Baldwin Park firm The Pappas Group has been assisting both federal and state taxpayers with their tax problems for more than 25 years. For more information about your tax lien call Peter at 407-648-2555 or visit pappastax.com