

UNDER AUDIT? KNOW YOUR RIGHTS

10 Reasons
to Exercise Your Right
to Representation



TEXAS TAX GROUP

OUR TEAM OF FORMER TEXAS COMPTROLLER
STATE TAX AUDITORS IS YOUR BEST DEFENSE

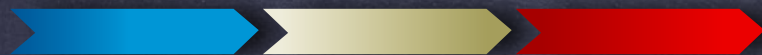
Going through a Texas state tax audit alone can be a time-consuming, stressful, and costly process. However, it doesn't have to be that way. Even if your audit is already underway, it's not too late to get help. In fact, you have the right to representation at any point of your audit as stated in the Texas Taxpayer Bill of Rights.

Thinking of going it alone? Consider this...

You probably wouldn't walk into court without a lawyer, nor would you go to your family doctor to treat a heart condition. Therefore, just as you would hire a specialist for these circumstances, you should hire a state tax audit defense specialist to represent you during your audit with the Texas Comptroller.



Still not convinced you need a tax defense specialist? Read on for ten reasons why it's smart to exercise your right to representation.



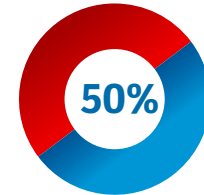
NEARLY 50% OF ALL BUSINESS AUDITED WILL OWE ADDITIONAL TAX

(Plus Penalties and Interest)

Texas Open Records data indicates that the Comptroller assesses sales tax on nearly 50% of all audits. Yes, you heard that right. The fact is that roughly one out of every two businesses audited will owe additional tax (plus penalties and interest).

And, another fact is that over the last 15 years the Texas Comptroller has lost most of their experienced auditors and relies more on 'rookie' or less experienced auditors. Don't be surprised if your audit is one of the first audits your auditor conducts. In addition, auditors are often ranked based on how much tax is assessed, which unfortunately only encourages them to be more aggressive.

With facts like these, going it alone is risky. A qualified state tax specialist can help keep your auditor honest, fair, and accurate to ensure the best possible audit outcome.



Comptroller
assesses sales tax
on nearly 50% of
all audits.



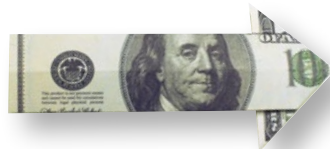
KEEP

Your Audit on Track



Texas state tax audits can take anywhere from four months to more than a year. The length of an audit can be influenced by several factors including the:

- Experience of your auditor
- Auditor availability
- Size and complexity of your business
- Number of records involved in the audit
- Organization and availability of records



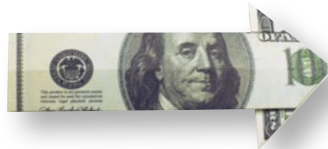
By anticipating taxability issues and record requests from the auditor, a tax defense specialist can help limit the length of time that the audit will take. **Typically, the shorter the audit the less the assessment, if any.**

AVOID

Being Overtaxed for Missing Records

Complete, well-organized records are critical to a successful audit outcome. Without them, an aggressive auditor can simply decide that your records are not reliable and assess sales and/or use tax on **100% of all sales and purchases.**

This can happen suddenly and with very little warning. The auditor issues 30 and 15-day record demand letters and then rely on Tax Rule 3.28(f) which states that records must be made available for a four-year look-back period. After that 45-day period they can issue a Notification of Estimation (NOE), and then your entire world could get turned upside down.



A qualified Texas state tax consultant can help you avoid this scenario by assisting with record organization and/or finding missing documents before the audit begins.

PERFORM

a Pre-Audit to Identify Applicable Tax Rulings and Procedures

When it comes to your tax audit, preparation is key.

One essential part of that preparation is to perform a pre-audit examination to determine if sales tax is being properly applied to all sales and/or purchases for the 4-year audit period.

Auditors are primarily looking for three things:

sales that
should have
been taxed,

tax collected
and not
remitted
(possible fraud)

and purchases
that should
have had tax
paid on them.

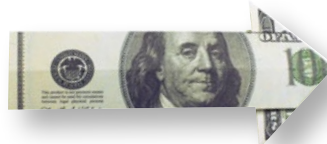
The precise scope of the audit can vary widely based on the business and/or industry and type of tax; however, here are a few of the most common audit issues that a tax specialist will review during a pre-audit examination:

- Misinterpretation of taxability
- Missing exemption and/or resale certificates for untaxed sales
- Incorrect tax assessed based on the type of item sold
- Sales tax collected and not remitted
- Use tax not accrued on taxable purchases
- Missing documentation for non-taxable purchases
- Incorrectly reported tax
- Local jurisdiction tax errors

PROTECT YOUR RECORDS AND DATA

There are two very important considerations to stay mindful of when your auditor comes to review your records. First, nowhere in the Texas Tax Code Sec. 111.004 does it state that records must be taken off-site by the auditor. And second, auditors are not required to make copies of your records (except for special circumstances).

Some auditors will request (or even demand) to take your hard copies or electronic records back to their office to work on them, and insist that you sign a records receipt. However, as a rule of thumb, it is best to keep the records at your office or with your representative to be sure they don't get lost or misplaced by the auditor.



A state tax expert can help ensure that your records are kept on site, and can advise you on how to handle records requests from the auditor.

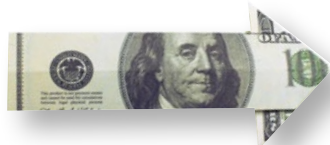
ENSURE

A FAIR AND ACCURATE ASSESSMENT

Audits are often a long, tedious and stressful process. Unfortunately, once an audit is complete, many just accept the results and pay the final assessment to make it all go away. But, simply accepting the amount due can be a costly decision.



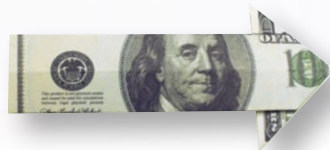
There is still time to change the results. For example, if missing records are the problem, it might be possible to locate them. Or, if the auditor used an aggressive estimation technique, maybe another more fair and accurate method could be used.



A state tax specialist can review your tax package to uncover any errors, and validate that your results are both fair and accurate.

UNCOVER POTENTIAL CREDITS AND/OR REFUNDS

Did you know that your auditor is not required to notify you of potential credits and/or refunds? As a result, many businesses end up paying money they don't owe.



A review of your audit results by a state tax expert will uncover any credits you are owed that could reduce your amount due or even result in a refund.

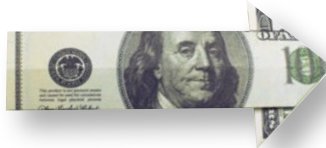
NEGOTIATE

Waivers of Penalties and/or Request an Interest-Free Payment Plan

After a business has been found liable for a state tax audit, most bills have 30 days to pay before accruing additional penalties or interest. This can be a crippling fee for a business.

Simply put, payment plans are not guaranteed. If one is not granted, the Comptroller can cancel the tax permit, close the business and continue to take various collection actions until the entire audit liability is paid.

The Enforcement Division of the Texas Comptroller's Office is very aggressive, and will seek to close any business not paying an audit assessment owed. In addition, operating without a sales tax permit can result in large fines by the agency against the business owner.



Don't take chances with your business. A qualified tax consultant understands how to obtain an interest-free payment plan, and negotiate waivers of penalties applied to your audit.

PROTEST

AUDIT RESULTS

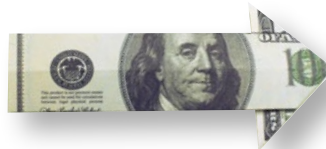
If you believe your results are inaccurate or that your auditor has made an error, there are options available to protest your audit both before and after the audit is billed.

Before Billing:

- Reconciliation Conference
- Independent Audit Review Conference
- Tax Policy Guidance Letter

After Billing:

- Administrative Hearing
- Refund Hearing

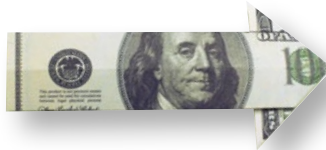


A qualified tax consulting firm can help you determine the best option to protest your results and represent you throughout the process.

KEEP YOUR FOCUS ON BUSINESS, NOT THE AUDIT

As a business owner, it is nearly impossible to know and understand every detail of Texas state tax laws and regulations. However, the good news is you don't have to.

Gain the peace of mind that comes from partnering with an experienced team who will fight for your rights as hard as you would.



Rest easy knowing that you have an expert working to get you the best possible audit outcome so that you can focus on your business—not the audit.

READY

TO EXERCISE YOUR RIGHT TO REPRESENTATION?

No matter what stage your audit is in, Texas Tax Group is here to help. Texas Tax Group is a team of former Texas Comptroller State Tax Auditors, Supervisors, and Tax Policy Experts with over 300 years of combined agency experience. Our firm specializes in representing and defending businesses under state tax audit, and has a unique insider's understanding of the audit process that is second to none in Texas.

With offices located in Houston, Dallas, Austin and San Antonio, our team is here to help you get the best audit result possible. Since 2007, we have represented thousands of clients resulting in millions of dollars in reduced audit assessments and thousands of administrative hours saved.



TEXAS TAX GROUP

OUR TEAM OF FORMER TEXAS COMPTROLLER
STATE TAX AUDITORS IS YOUR BEST DEFENSE