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Texas Comptroller of Public Accounts STAR System

200212425L

AP 75

Date: December 10, 2002
To: **Audit** ▶ Managers
From: David Rock
Via: Otis Fields, Manager
Subject: Percentage Based Reporting

SB 1319 authorizes certain businesses to assess the taxability of their purchases through a percentage based reporting method and assess tax refunds using a sampling method.

Attached is the approved percentage based reporting **◀guidelines▶**. If you have any questions, please call me at 512-475-0248.

◀Audit▶ Plan Summary

The following procedures are to be completed on each Identifiable Business Segment:

- (1) Identify each Business Segment
 - (A) Identify categories- Expense Purchases, Assets purchases, Other
 - (B) Determine Sample/Detail procedure
 - (C) Develop a Sampling Approach
 - (1) Identify Populations
 - (2) Identify Accounts of Interest
 - (3) Verify Population bases
 - (4) Select Samples in accordance with Comptroller **◀guidelines▶**
 - (5) Analyze samples in accordance with Comptroller **◀guidelines▶**
 - (6) Comptroller issues Notification of Sampling and approves sampling approach

(D) Develop a detail **time** line for completion of prescribed procedure.

Percentage Based Reporting

(1) Approval Process

(A) Written request to the Manager of **Audit** Division

(B) Auditor Assignment

(C) Preliminary Meeting

(1) Discuss areas included in the **managed** **audit**

(a) Asset Purchases

(b) Expense Purchases

(c) Other categories

(2) **Audit** Procedures for Approved Areas

(a) Sample/Detail Determination-Comptroller will issue a Notification of Sampling Procedures on all approved

(b) Identification of Accounts of Interest

(c) Establish Preliminary Completion date

(3) Determination if taxpayer qualifies for program in areas request

(a) Taxpayer must be a Direct Pay Permit Holder

(4) Duration-The taxpayer will be allowed to report using authorized percentages for a three-year period, unless the Comptroller revokes the authorization.

(5) Revocation

(a) Authorization may be revoked if the Comptroller determines that percent being used is no longer representative because of a change in:

(i) law, including change in interpretation of law or rule; or

(ii) The taxpayers business operations.

(b) Decision to deny or revoke authorization is not appealable

(c) May be revoked by either party with a 60 day written notice.

(6) Comptroller may categorize transactions by:

(a) Dollar

(b) Type of purchase,

(c) Purpose or use,

(d) Other standards appropriate to the taxpayer's operations.

(7) Formal Approval to proceed is granted

(a) Formal Contract executed

(b) **Audit** Plan Summary, which includes the procedures to be applied to each identifiable business segment, is developed jointly with the taxpayer. See attached **guidelines** for **audit** plan summary.

(II) Fieldwork completion based on **time** lines established in **Audit** Plan Summary. Schedules submitted by the taxpayer must be in a format specified by the Comptroller. Comptroller approval is required at various steps as outlined in the **Audit** Plan Summary.

(III) Comptroller reviews fieldwork, finalizes schedules, and provides preliminary results to the taxpayer.

(IV) Comptroller issues Letter of Authorization by attaching Exhibit A to the Sales & Use Tax Compliance Agreement.

As STAR is the Comptroller's research system for Texas tax policy issues, only tax-specific [◀audit▶](#) policy memos (AP Memo) are included here. AP memos not on STAR can be found on Window on State Government on the [◀Audit Memos](#) web page.

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