

## HB 2657: Auditing

### *Single Audit Procedures*

- An audit is defined as a systematic and comprehensive examination of the taxpayer's accounting books and records involving analysis, tests, confirmations or verifications.
- All audits cover all jurisdictions, regardless of initiating entity
- No other audits covering the same period, except as authorized under 42-2059
- Remote Sellers (as defined in 42-5040) – DOR has sole authority to audit
- Taxpayers doing business in county only – DOR has sole authority to audit
- Taxpayers in program cities without supplemental auditing authority – DOR shall initiate audit within six months of receipt of request. If DOR is unable to initiate within six months, the audit assignment will be determined by UAC.
- Except for remote sellers and county-only audits, participation is limited to DOR and two municipalities.
- Single Audit Coordinator (SAC) housed in DOR
- Requesting jurisdiction send notice to SAC
  - SAC determines current audit status
  - DOR option must be chosen within 30 days of request; notification sent from SAC to requesting jurisdiction
- DOR initiated; DOR acts as lead jurisdiction
- City/Town requests audit through DOR/SAC:
  - DOR may elect to perform audit; audit to be initiated within six months of date request is filed with SAC. If DOR is unable to initiate within six months, the audit assignment will be determined by UAC.
  - DOR may decline; requesting jurisdiction becomes lead auditor, but DOR may still choose to participate.
  - DOR may request an alternate lead audit jurisdiction; UAC selects lead jurisdiction, but DOR may still choose to participate.

- All preliminary audit results are subject to review by the taxing jurisdictions for 30 days prior to issuance; interpretation issues are resolved by Uniformity & Ruling Subcommittee (URS) prior to final audit assessment.
- All protests involving issues where statute and city code are the same go through Office of Administrative Hearings (OAH); all protests limited to MCTC issues go through Municipal Tax Hearing Office (MTHO).
- DOR shall coordinate all closing agreements related to municipal TPT with the affected municipalities prior to final settlement.

### ***Single Audit Procedure Uniformity***

- DOR, in coordination with the UAC, shall establish uniform auditing procedures to be used by all state and local auditors.
- DOR, in coordination with the UAC, shall create standard auditor training tools covering state tax statutes, MCTC, uniform auditing functions and procedures.
- DOR shall publish Single Audit Manual (SAM) on its website.

### ***Tax Interpretation Uniformity***

- Codify DOR Uniformity Committee and merge with UAC Ruling Subcommittee
- Director creates Uniformity & Ruling Subcommittee (URS)
  - URS receives and rules on all taxpayer interpretation requests (state statute and Model City Tax Code)
  - DOR selects four representatives
  - Cities and towns select three representatives
  - All determinations posted on DOR website
- URS determinations are binding on DOR and cities and towns.

### ***Other***

- Add provisions of SB 1364 (3-year audits), as it relates to TPT.
- Six-year look-back period for voluntary disclosure, waive penalties and cannot waive interest. No audits of that period except 42-2059.

- Modify 42-2003 to allow DOR and municipalities to share all audit and taxpayer information. Municipalities and DOR are required to protect taxpayer confidentiality.