

STATE OF ARIZONA

Department of Revenue



Tom Johnson
Assistant Director

Tami Benson
Administrator

10/26/2013

Zac Sharp Widget Company
DBA: Zac's Widgets
Attn: Zac Sharp
30620 W. M-86
Colon, MI 49040

LICENSE : 00-000000 -
AUDIT PERIOD: 01/01/10 - 06/30/10
FED ID/ACCT. No. ID : 86-YYYYYYY

DEAR TAXPAYER

The Department is issuing this **Notice of Proposed Assessment**, as detailed below, based on an audit of your records that encompassed all taxes imposed under Chapters 5 and 6 of Arizona Revised Statutes Title 42. Schedules substantiating the audit findings were previously provided with the Tentative Audit Assessment.

Corrected Total Tax per Audit		\$ 234,630.47
Less: Tax as Previously Reported		177,139.70
Additional Tax Due		\$ 57,490.77
Penalty		445.94
Interest *	Oct 31, 2013	4,117.94
Total Deficiency		<u>\$ 62,054.65</u>
	Daily Interest	\$3.47

*Note: If payment is made PRIOR to the interest through date, please deduct the daily interest amount for each day prior to the interest through date.

This deficiency becomes final forty-five (45) days from the receipt of this notice (ARS § 42-1108B) unless an appeal is submitted to the Department as indicated on the enclosed Taxpayer Response Form. If payment is not made within the 45 day period, a lien may be filed with the County Recorder for all real property owned and with the Secretary of State for all personal property owned. If you have any documentation to change this assessment, the simplest and least time-consuming approach is to request in writing an informal conference. It consists of a meeting between you and/or your representative and a departmental representative. You may, instead, request a formal hearing. A formal hearing is presided over by an Administrative Law Judge of the Office of Administration Hearing and involves you and/or your representative and a department representative. The Administrative Law Judge renders a written decision after both sides have presented their positions.

IMPORTANT

All **unprotected** amounts **must** be paid at the time any protest is filed (ARS § 42-1251A). Send any checks or money orders made payable to the ARIZONA DEPARTMENT OF REVENUE, P.O. Box 29062, Phoenix, AZ 85038-9062.

Zac Sharp Auditor # 845
Phone # (602) 716-6610

Date

Robert Boyd Audit Supervisor #177
Phone # (602) 716-6578

Date

ARIZONA DEPARTMENT OF REVENUE

Transaction Privilege Tax & Use Tax

November 26, 2013

Zac Sharp Widget Company

DBA Zac's Widgets

License #: 07-XXXXXX

Audit Period: 1/1/2010 - 6/30/2010

STATE AND COUNTY AUDIT ANALYSIS

Business Classification	A.R.S. Reference	Explanation of Audit Adjustment	Tax Adjustment
Retail	42-5061	The retail audit assessment is a result of disallowed resale deductions. The Taxpayer claimed resale deduction on sales to law firms, CPA firms, and state government entities. None of these entities are in the business of selling widgets. Please see the deduction analysis detail in the Audit Workpapers for line-item detail of allowed and disallowed transactions. All disallowed resale transactions were allowed a tax factored deduction. The Audit reclassified sales made to exempt entities reported under the resale deduction to the correct deduction code.	39,839.16
Use Tax Purchases	42-5155/-1408	The use tax assessment is a result of unreported purchases made out of state. The audit taxed three asset purchases of shelving from a vender located in Michigan that had no Arizona nexus.	5,009.74
State/County Total			<u>\$44,848.90</u>

CITY AUDIT ANALYSIS

Jurisdiction	Business Classification	MCTC Reference	Explanation of Audit Adjustment	Tax Adjustment
Casa Grande	Retail	Section 460/465	Disallowed resale deduction made from store located in City.	1,340.82
Gilbert	Retail	Section 460/465	Disallowed resale deduction made from store located in City.	2,579.95
Marana	Retail	Section 460/465	Disallowed resale deduction made from store located in City.	411.49
Phoenix	Retail	Section 460/465	Disallowed resale deduction made from store located in City.	2,873.57
Surprise	Retail	Section 460/465	Disallowed resale deduction made from store located in City.	1,415.98
Tempe	Retail	Section 460/465	Disallowed resale deduction made from store located in City.	2,328.87
Marana	Use Tax Purchases	Section 610	Out of State Purchases are subject to use tax within this City.	11.19
Phoenix	Use Tax Purchases	Section 610	Out of State Purchases are subject to use tax within this City.	1,680.00
City Total				12,641.87
Total Audit Tax Adjustment				<u>\$57,490.77</u>
Payments Received				-
Penalty				445.94
Interest				4,117.94
Total Deficiency				<u>\$62,054.65</u>

ARIZONA DEPARTMENT OF REVENUE

Transaction Privilege Tax & Use Tax

November 27, 2013

Zac Sharp Widget Company

DBA Zac's Widgets

License #: 07-XXXXXX

Audit Period: 1/1/2010 - 6/30/2010

AUDIT SUMMARY BY JURISDICTION

Jurisdiction	Business Classification	Audited Gross Receipts	Audited Deductions	Audited Taxable	Corrected Total Tax Per Audit	Tax As Previously Reported	Excess Tax	Additional Tax Due	Penalty	Interest	Total Deficiency
Maricopa County	Retail	4,801,908.92	2,637,477.66	2,164,431.26	139,210.54	105,255.67	-	33,954.87	151.45	2,542.25	36,648.57
Pima County	Retail	448,720.10	195,509.52	253,210.58	16,139.23	14,814.06	-	1,325.17	45.32	284.56	1,655.05
Pinal County	Retail	678,633.86	375,384.15	303,249.71	20,703.15	16,144.03	-	4,559.12	50.54	250.94	4,860.60
Privilege Tax Sub-Total		5,929,262.88	3,208,371.33	2,720,891.55	176,052.92	136,213.76	-	39,839.16	247.31	3,077.75	43,164.22
Maricopa County	Use Tax Purchases	84,000.00	-	84,000.00	4,704.00	-	-	4,704.00	71.25	145.58	4,920.83
Pima County	Use Tax Purchases	559.65	-	559.65	31.34	-	-	31.34	1.45	1.56	34.35
Pinal County	Use Tax Purchases	4,900.00	-	4,900.00	274.40	-	-	274.40	9.67	4.58	288.65
Use Tax Sub-Total		89,459.65	-	89,459.65	5,009.74	-	-	5,009.74	82.37	151.72	5,243.83
State/County Total		6,018,722.53	3,208,371.33	2,810,351.20	181,062.66	136,213.76	-	44,848.90	329.68	3,229.47	48,408.05
Reference from PG 4		(E4)	(I4)	(J4)	(L4)						
Casa Grande	Retail	678,633.86	375,384.15	303,249.71	6,064.99	4,724.17	-	1,340.82	16.56	133.68	1,491.06
Gilbert	Retail	1,669,394.53	1,128,214.91	541,179.62	8,117.68	5,537.73	-	2,579.95	12.52	101.09	2,693.56
Marana	Retail	448,720.10	195,509.52	253,210.58	5,064.20	4,652.71	-	411.49	16.39	134.14	562.02
Phoenix	Retail	1,464,603.43	660,195.38	804,408.05	16,088.17	13,214.60	-	2,873.57	21.21	150.58	3,045.36
Surprise	Retail	761,363.77	310,771.37	450,592.40	9,913.05	8,497.07	-	1,415.98	18.24	147.38	1,581.60
Tempe	Retail	906,547.19	538,296.00	368,251.19	6,628.53	4,299.66	-	2,328.87	9.54	54.56	2,392.97
Privilege Tax Sub-Total		5,929,262.88	3,208,371.33	2,720,891.55	51,876.62	40,925.94	-	10,950.68	94.46	721.43	11,766.57
Casa Grande	Use Tax Purchases	4,900.00	-	4,900.00	-	-	-	-	-	-	-
Gilbert	Use Tax Purchases	-	-	-	-	-	-	-	-	-	-
Marana	Use Tax Purchases	559.65	-	559.65	11.19	-	-	11.19	0.77	1.50	13.46
Phoenix	Use Tax Purchases	84,000.00	-	84,000.00	1,680.00	-	-	1,680.00	21.03	165.54	1,866.57
Surprise	Use Tax Purchases	-	-	-	-	-	-	-	-	-	-
Tempe	Use Tax Purchases	-	-	-	-	-	-	-	-	-	-
Use Tax Sub-Total		89,459.65	-	89,459.65	1,691.19	-	-	1,691.19	21.80	167.04	1,880.03
City Total		6,018,722.53	3,208,371.33	2,810,351.20	53,567.81	40,925.94	-	12,641.87	116.26	888.47	13,646.60
Reference from PG 4		(E4)	(P4)	(Q4)	(S4)						
Grand Total					234,630.47	177,139.70	-	57,490.77	445.94	4,117.94	62,054.65
					(T4)						

ARIZONA DEPARTMENT OF REVENUE

Transaction Privilege Tax & Use Tax

December 14, 2013

Zac Sharp Widget Company
DBA Zac's Widgets

License #: 07-XXXXXX

Audit Period: 1/1/2010 - 6/30/2010

INTERNAL TAX CALCULATION DETAIL

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]
#	Date	Business Class	Jurisdiction	Gross Receipts	State/Cnty Deductions	State/Cnty Tax Factored Deduction	State/Cnty 35% Deduction	Total State/Cnty Deductions	State/Cnty Taxable	State/Cnty Tax Rate	State/Cnty Audited Tax	City Deductions	City Tax Factored Deduction	City 35% Deduction	Total City Deductions	City Taxable	City Tax Rate	City Audited Tax	Total Audited Tax	Combined Tax Factor
				(W/P D-1)	(W/P D-1)			[F+G+H]	[E-I]		[J x K]	(W/P D-1)			[M+N+O]	[E-P]		[Q x R]	[L + S]	
1	1/1/10	Retail	Casa Grande	87,824.84	56,541.26	2,503.84	-	59,045.10	28,779.74	0.067	1,928.24	56,541.26	2,503.84	-	59,045.10	28,779.74	0.020	575.59	2,503.83	0.0800368
2	1/1/10	Retail	Gilbert	156,745.14	102,466.83	3,927.37	-	106,394.20	50,350.94	0.063	3,172.11	102,466.83	3,927.37	-	106,394.20	50,350.94	0.015	755.26	3,927.37	0.0723562
3	1/1/10	Retail	Marana	53,460.16	26,984.13	1,983.87	-	28,968.00	24,492.16	0.061	1,494.02	26,984.13	1,983.87	-	28,968.00	24,492.16	0.020	489.84	1,983.86	0.0749306
4	1/1/10	Retail	Phoenix	230,071.54	52,114.14	13,638.47	-	65,752.61	164,318.93	0.063	10,352.09	52,114.14	13,638.47	-	65,752.61	164,318.93	0.020	3,286.38	13,638.47	0.0766390
5	1/1/10	Retail	Surprise	151,383.14	41,514.53	8,607.22	-	50,121.75	101,261.39	0.063	6,379.47	41,514.53	8,607.22	-	50,121.75	101,261.39	0.022	2,227.75	8,607.22	0.0783410
6	1/1/10	Retail	Tempe	95,474.58	50,920.74	3,338.45	-	54,259.19	41,215.39	0.063	2,596.57	50,920.74	3,338.45	-	54,259.19	41,215.39	0.018	741.88	3,338.45	0.0749306
7	2/1/10	Retail	Casa Grande	80,288.15	40,020.66	3,222.88	-	43,243.54	37,044.61	0.067	2,481.99	40,020.66	3,222.88	-	43,243.54	37,044.61	0.020	740.89	3,222.88	0.0800368
8	2/1/10	Retail	Gilbert	213,665.49	105,193.35	7,848.63	-	113,041.98	100,623.51	0.063	6,339.28	105,193.35	7,848.63	-	113,041.98	100,623.51	0.015	1,509.35	7,848.63	0.0723562
9	2/1/10	Retail	Marana	46,445.66	18,915.35	2,062.86	-	20,978.21	25,467.45	0.061	1,553.51	18,915.35	2,062.86	-	20,978.21	25,467.45	0.020	509.35	2,062.86	0.0749306
10	2/1/10	Retail	Phoenix	218,300.88	104,549.73	8,717.77	-	113,267.50	105,033.38	0.063	6,617.10	104,549.73	8,717.77	-	113,267.50	105,033.38	0.020	2,100.67	8,717.77	0.0766390
11	2/1/10	Retail	Surprise	95,539.15	27,918.73	5,297.45	-	33,216.18	62,322.97	0.063	3,926.35	27,918.73	5,297.45	-	33,216.18	62,322.97	0.022	1,371.11	5,297.46	0.0783410
12	2/1/10	Retail	Tempe	130,426.59	85,811.75	3,343.02	-	20,978.21	41,271.82	0.063	2,600.12	85,811.75	3,343.02	-	89,154.77	41,271.82	0.018	742.89	3,343.01	0.0749306
13	3/1/10	Retail	Casa Grande	78,721.24	27,931.00	4,065.09	-	31,996.09	46,725.15	0.067	3,130.59	27,931.00	4,065.09	-	31,996.09	46,725.15	0.020	934.50	4,065.09	0.0800368
14	3/1/10	Retail	Gilbert	171,568.54	89,618.73	5,929.58	-	95,548.31	76,020.23	0.063	4,789.27	89,618.73	5,929.58	-	95,548.31	76,020.23	0.015	1,140.30	5,929.57	0.0723562
15	3/1/10	Retail	Marana	87,756.36	12,425.10	5,644.62	-	18,069.72	69,686.64	0.061	4,250.89	12,425.10	5,644.62	-	18,069.72	69,686.64	0.020	1,393.73	5,644.62	0.0749306
16	3/1/10	Retail	Phoenix	203,992.80	89,155.14	8,801.04	-	97,956.18	106,036.62	0.063	6,680.31	89,155.14	8,801.04	-	97,956.18	106,036.62	0.020	2,120.73	8,801.04	0.0766390
17	3/1/10	Retail	Surprise	148,271.17	63,209.82	6,663.79	-	69,873.61	78,397.56	0.063	4,939.05	63,209.82	6,663.79	-	69,873.61	78,397.56	0.022	1,724.75	6,663.80	0.0783410
18	3/1/10	Retail	Tempe	142,588.67	34,171.68	25,389.90	-	34,171.68	108,416.99	0.063	6,830.27	25,389.90	8,781.78	-	34,171.68	108,416.99	0.018	1,951.51	8,781.78	0.0749306
19	4/1/10	Retail	Casa Grande	237,531.68	124,743.98	9,027.17	-	133,771.15	103,760.53	0.067	6,951.96	124,743.98	9,027.17	-	133,771.15	103,760.53	0.020	2,075.21	9,027.17	0.0800368
20	4/1/10	Retail	Gilbert	406,946.17	278,704.05	9,279.11	-	287,983.16	118,963.01	0.063	7,494.67	278,704.05	9,279.11	-	287,983.16	118,963.01	0.015	1,784.45	9,279.12	0.0723562
21	4/1/10	Retail	Marana	84,475.06	42,586.59	3,138.73	-	45,725.32	38,749.74	0.061	2,363.73	42,586.59	3,138.73	-	45,725.32	38,749.74	0.020	774.99	3,138.72	0.0749306
22	4/1/10	Retail	Phoenix	309,276.39	132,525.48	13,546.01	-	146,071.49	163,204.90	0.063	10,281.91	132,525.48	13,546.01	-	146,071.49	163,204.90	0.020	3,264.10	13,546.01	0.0766390
23	4/1/10	Retail	Surprise	140,492.64	52,502.58	6,893.23	-	59,395.81	81,096.83	0.063	5,109.10	52,502.58	6,893.23	-	59,395.81	81,096.83	0.022	1,784.13	6,893.23	0.0783410
24	4/1/10	Retail	Tempe	204,388.05	126,194.78	5,859.07	-	132,053.85	72,334.20	0.063	4,557.05	126,194.78	5,859.07	-	132,053.85	72,334.20	0.018	1,302.02	5,859.07	0.0749306
25	5/1/10	Retail	Casa Grande	119,740.72	67,131.65	4,210.66	-	71,342.31	48,398.41	0.067	3,242.69	67,131.65	4,210.66	-	71,342.31	48,398.41	0.020	967.97	4,210.66	0.0800368
26	5/1/10	Retail	Gilbert	385,494.07	273,358.03	8,113.74	-	281,471.77	104,022.30	0.063	6,553.40	273,358.03	8,113.74	-	281,471.77	104,022.30	0.015	1,560.33	8,113.73	0.0723562
27	5/1/10	Retail	Marana	58,275.23	30,736.02	2,063.53	-	32,799.55	25,475.68	0.061	1,554.02	30,736.02	2,063.53	-	32,799.55	25,475.68	0.020	509.51	2,063.53	0.0749306
28	5/1/10	Retail	Phoenix	284,899.80	103,648.04	13,890.95	-	117,538.99	167,360.81	0.063	10,543.73	103,648.04	13,890.95	-	117,538.99	167,360.81	0.020	3,347.22	13,890.95	0.0766390
29	5/1/10	Retail	Surprise	128,966.51	44,924.13	6,583.96	-	51,508.09	77,458.42	0.063	4,879.88	44,924.13	6,583.96	-	51,508.09	77,458.42	0.022	1,704.09	6,583.97	0.0783410
30	5/1/10	Retail	Tempe	182,938.39	118,530.50	4,826.12	-	123,356.62	59,581.77	0.063	3,753.65	118,530.50	4,826.12	-	123,356.62	59,581.77	0.018	1,072.47	4,826.12	0.0749306
31	6/1/10	Retail	Casa Grande	74,527.23	32,247.46	3,738.50	-	35,985.96	38,541.27	0.077	2,967.68	32,247.46	3,738.50	-	35,985.96	38,541.27	0.020	770.83	3,738.51	0.0884230
32	6/1/10	Retail	Gilbert	334,975.12	235,749.92	8,025.57	-	243,775.49	91,199.63	0.073	6,657.57	235,749.92	8,025.57	-	243,775.49	91,199.63	0.015	1,367.99	8,025.56	0.0808824
33	6/1/10	Retail	Marana	118,307.63	42,658.88	6,309.84	-	48,968.72	69,338.91	0.071	4,923.06	42,658.88	6,309.84	-	48,968.72	69,338.91	0.020	1,386.78	6,309.84	0.0834097
34	6/1/10	Retail	Phoenix	218,062.02	110,452.44	9,156.17	-	119,608.61	98,453.41	0.073	7,187.10	110,452.44	9,156.17	-	119,608.61	98,453.41	0.020	1,969.07	9,156.17	0.0850869
35	6/1/10	Retail	Surprise	96,711.16	41,900.68	4,755.25	-	46,655.93	50,055.23	0.073	3,654.03	41,900.68	4,755.25	-	46,655.93	50,055.23	0.022	1,101.22	4,755.25	0.0867580
36	6/1/10	Retail	Tempe	150,730.91	101,165.67	4,134.22	-	105,299.89	45,431.02	0.073	3,316.46	101,165.67	4,134.22	-	105,299.89	45,431.02	0.018	817.76	4,134.22	0.0834097
37	1/1/10	Use Tax	Marana	559.65	-	-	-	-	559.65	0.056	31.34	-	-	-	-	559.65	0.020	11.19	42.53	0.0000000
38	3/1/10	Use Tax	Phoenix	84,000.00	-	-	-	-	84,000.00	0.056	4,704.00	-	-	-	-	84,000.00	0.020	1,680.00	6,384.00	0.0000000
39	4/1/10	Use Tax	Casa Grande	4,900.00	-	-	-	-	4,900.00	0.056	274.40	-	-	-	-	4,900.00	-	-	274.40	0.0000000
Total				6,018,722.53	2,980,441.77	227,929.56	-	3,208,371.33	2,810,351.20		181,062.66	2,980,441.77	227,929.56	-	3,208,371.33	2,810,351.20		53,567.81	234,630.47	

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