



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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April 9, 2010

To Interested Parties:

**Notice of Proposed Regulatory Action
By the
The State Board of Equalization**

**Proposes to Adopt California Code of Regulations,
Title 18, Section 1698.5, *Audit Procedures***

Approved Changes For 15-Day File

The State Board of Equalization (Board), pursuant to the authority vested in it by Revenue and Taxation Code section 7051, has proposed to adopt California Code of Regulations, title 18, section (Regulation) 1698.5, *Audit Procedures*. The proposed regulation will implement, interpret, and make specific Revenue and Taxation Code section (section) 7053, which requires sellers, retailers, and consumers to maintain sales and use tax records in such form as the Board may require and section 7054, which authorizes the Board to examine records, property, and persons, and conduct investigations to verify the accuracy of returns and accurately ascertain sales and use tax liabilities.

A public hearing on the proposed adoption of Regulation 1698.5 was held in Room 121, 450 N Street, Sacramento, California, on March 23, 2010. No interested parties asked to speak at the public hearing or submitted written comments on the proposed amendments. However, the Board did authorize staff to make the grammatical and sufficiently related changes to the original text of proposed Regulation 1698.5, and referred Regulation 1698.5, to the fifteen-day file as described below.

Sufficiently Related Changes to the Original Proposed Text to Address the Office of Administrative Law's Concerns Regarding Information/Document Requests and Audit Findings Presentation Sheets

Office of Administrative Law (OAL) staff performed a preliminary review of the original text of proposed Regulation 1698.5 and tentatively concluded that the Board is trying to incorporate the draft Information/Document Request (IDR) and Audit Findings Presentation Sheet (AFPS) templates contained in exhibits 3 and 4 to Formal Issue Paper 09-005¹ into Regulation 1698.5, subdivision (a)(6) and (7), by reference under California Code of Regulations, title 1, section 20 (Rule 20) because the templates and the subdivision's text refers to IDRs and AFPSs as Board forms. Therefore, OAL staff contacted Board staff to express concerns that Board staff was not complying with the requirements of Rule 20 because the references to the forms did not include the dates the forms were adopted or issued and Board staff was not making the templates available to the public as part of the rulemaking documents for the proposed adoption of Regulation 1698.5.

Board staff responded to OAL staff's concerns and explained that the draft templates contained in exhibits 3 and 4 to Formal Issue Paper 09-005 have not been adopted or issued, the Board is not currently trying to incorporate the templates into Regulation 1698.5 by reference, and the Board does not need to comply with Rule 20. In addition, the Board's Legal Department discussed this matter with OAL's Legal Department and continues to believe that the templates the Sales and Use Tax Department will eventually implement for use in the IDR and AFPS processes will not need to be adopted as regulations because they will not impose any regulatory requirements on taxpayers or Board staff. However, to avoid any confusion and further clarify that the Board is not trying to incorporate IDR and AFPS forms into Regulation 1698.5 by reference in accordance with Rule 20, the Board's Legal Department requested authorization to:

- Change the original text of proposed Regulation 1698.5, subdivision (a)(6), to provide that "Board staff may issue an Information Document/Request (IDR) to request single or multiple documents, data, and other information from the taxpayer under audit," rather than refer to an IDR as a Board form; and
- Change the original text of proposed Regulation 1698.5, subdivision (a)(7), to provide that "An Audit Findings Presentation Sheet (AFPS) is used to present the staff's findings for each area of the audit as it is completed," rather than refer to an AFPS as a Board form.

Therefore, the Board authorized Board staff to make both sufficiently related changes to the original text of proposed Regulation 1698.5, as shown on the enclosed ~~strikeout~~ and underline version of the regulation, and directed staff to

¹ For ease of reference, Formal Issue Paper 09-005, and the Notice of Rulemaking, Initial Statement of Reasons, and original proposed text of Regulation 1698.5 are available on the Board's Website at: http://www.boe.ca.gov/regs/reg1698_5.htm.

make the full text of the resulting regulation, with the changes clearly indicated, available to the public for at least 15 days before the Board's adoption in accordance with Government Code section 11346.8, subdivision (c)(2).

Sufficiently Related Changes to the Original Proposed Text to Address the Board's Taxpayers' Rights Advocate Office's Concerns

On February 5, 2010, the Board's own Taxpayers' Rights Advocate (TRA) Office submitted written comments to the Board's regulations coordinator suggesting that the Board delete the phrase "and provide adequate resources to do so" and the word "federal" from the original text of proposed Regulation 1698.5, subdivision (b)(5)(B) and (C), respectively.² The Board's Sales and Use Tax Department and the Legal Department agreed with the TRA Office's comment that the phrase "and provide adequate resources to do so" should be deleted from subdivision (b)(5)(B) because the Board cannot require taxpayers to devote adequate resources to their audits and jointly requested the Board's authorization to make the sufficiently related change. In addition, the Sales and Use Tax Department and the Legal Department agreed that subdivision (b)(5)(C) should be revised to prohibit Board staff from requiring that taxpayers provide documents when the Board is prohibited by any applicable law, not just a "federal" law, from requiring that taxpayers do so and jointly requested the Board's authorization to change subdivision (b)(5)(C). Therefore, the Board authorized Board staff to make both sufficiently related changes to the original text of proposed Regulation 1698.5, as shown on the enclosed ~~strikeout~~ and underline version of the regulation, and directed staff to make the full text of the resulting regulation, with the changes clearly indicated, available to the public for at least 15 days before the Board's adoption in accordance with Government Code section 11346.8, subdivision (c)(2).

In addition, the TRA Office suggested that the Board delete the phrase "which is used to confirm the start of an audit or establish contact with the taxpayer" from subdivision (a)(6) of the original text of proposed Regulation 1698.5; and add a new subdivision (a)(2) to the original text of proposed Regulation 1698.5 to define the term "audit engagement letter" for purposes of the entire regulation and renumber the other paragraphs in subdivision (a) accordingly. During the public hearing on March 23, 2010, the Board agreed with the TRA Office that the changes were necessary to ensure that taxpayers did not confuse "audit engagement letters," IDRs, and AFPSs. Therefore, the Board authorized Board staff to make both sufficiently related changes to the original text of proposed Regulation 1698.5, as shown on the enclosed ~~strikeout~~ and underline version of the regulation, and directed staff to make the full text of the resulting regulation, with the changes clearly indicated, available to the public for at least 15 days

² For ease of reference, the TRA Office's comments are attached to and responded to in the March 10, 2010, memorandum from the Board's Chief Counsel to the Board Members for consideration at the March 23, 2010, public hearing, which is available at http://www.boe.ca.gov/meetings/pdf/F1_032310.pdf.

before the Board's adoption in accordance with Government Code section 11346.8, subdivision (c)(2).

Grammatical Changes to the Original Proposed Text

Furthermore, the Sales and Use Tax Department and Legal Department requested the Board's authorization to delete the word "the" before the reference to "AFPSs" in the original text of proposed Regulation 1698.5, subdivision (a)(7), to make the revised sentence grammatically correct; and the Board Members noticed that the word "the" was need before the word "taxpayer's" in the original text of proposed Regulation 1698.5, subdivision (b)(4)(K), to make the revised sentence grammatically correct. Therefore, the Board authorized Board staff to make both grammatical changes to the original text of proposed regulation 1698.5 in accordance with Government Code section 11346.8, subdivision (c)(1)

Necessity

Finally, the Board discussed the necessity for proposed Regulation 1698.5 during the March 23, 2010, public hearing. The Board Chair indicated that the regulation is necessary to clearly establish taxpayers' and Board staff's responsibilities and duties during the audit process in order to ensure that Board staff completes audits in a timely and efficient manner with due regard to each taxpayer's rights, and to help taxpayers better understand and avoid confusion regarding the Board's audit process.

Additional Comments Regarding Changes

Enclosed is a revised underscore and strikeout version of the text of proposed Regulation 1698.5 with the additional changes authorized on March 23, 2010, shown in double strikeout and double underline. In accordance with Government Code section 11346.8, subdivision (c), the revised version of the regulation is being placed in the rulemaking file and mailed to interested parties who commented orally or in writing, or who asked to be informed of such revisions. If you wish to review the rulemaking file, it is available for your inspection at the State Board of Equalization, 450 N Street, Sacramento, CA 95814.

The revised version of the text of proposed Regulation 1698.5 will be placed on the May 25, 2010, Board meeting agenda for the Board's consideration and potential adoption at 9:30 a.m., or as soon thereafter as the matter may be heard. At the hearing, any interested person may present or submit oral or written statements, arguments, or contentions regarding the adoption of the proposed regulation.

In addition, any interested person may also submit written comments regarding the Board's proposed adoption of the revised text of Regulation 1698.5. The written comment period closes at 9:30 a.m., or as soon thereafter as the matter

may be heard, on May 25, 2010. Written comments received by Mr. Rick Bennion, at the postal address, email address, or fax number provided below, prior to the close of the written comment period will be submitted to and considered by the Board before the Board decides whether to adopt the proposed regulation. Furthermore, any written comments received prior to the end of the written comment period must be responded to in the final statement of reasons required by Government Code section 11346.9.

Questions regarding the substance of the revised version of the proposed regulation should be directed to Bradley M. Heller, Tax, Counsel III (Specialist), by telephone at (916) 324-2657, by e-mail at Bradley.Heller@boe.ca.gov, or by mail at State Board of Equalization, Attn: Bradley M. Heller, MIC:82, 450 N Street, P.O. Box 942879, Sacramento, CA 94279-0082.

Written comments for the Board's consideration, notice of intent to present testimony or witnesses at the May 25, 2010, Board meeting, and inquiries concerning the proposed administrative action should be directed to Mr. Rick Bennion, Regulations Coordinator, by telephone at (916) 445-2130, by fax at (916) 324-3984, by e-mail at Richard.Bennion@boe.ca.gov, or by mail at State Board of Equalization, Attn: Rick Bennion, MIC:81 | 450 N Street, P.O. Box 942879, Sacramento, CA 94279-0080.

Sincerely,



Diane G. Olson, Chief
Board Proceedings Division

DGO:reb

Enclosures

STATE BOARD OF EQUALIZATION



BOARD APPROVED

At the 5/25/2010 Board Meeting



Diane G. Olson, Chief
Board Proceedings Division

**Revised Text of
California Code of Regulations,
Title 18,**

Regulation 1698.5. Audit Procedures.

(a) DEFINITIONS.

- (1) BOARD. For the purposes of this regulation, "Board" refers to the Board of Equalization.
- (2) AUDIT ENGAGEMENT LETTER. An audit engagement letter is correspondence used by Board staff to confirm the start of an audit or establish contact with the taxpayer.
- (3) PRE-AUDIT CONFERENCE. A meeting between the taxpayer and/or the taxpayer's representative or designated employee and Board staff prior to the opening conference to discuss the availability and production of records, including electronic records. This meeting may occur several months before the opening conference with Board staff.
- (4) OPENING CONFERENCE. The first meeting between the taxpayer and/or the taxpayer's representative or designated employee and Board staff to discuss how the audit will be conducted and to begin the field audit work.
- (5) STATUS CONFERENCES. Meetings between the taxpayer and/or the taxpayer's representative or designated employee and Board staff held throughout the audit to discuss audit issues and the progress of the audit.
- (6) EXIT CONFERENCE. The meeting between the taxpayer and/or the taxpayer's representative or designated employee and Board staff at the conclusion of the audit to discuss the audit findings.
- (7) INFORMATION/DOCUMENT REQUEST (IDR). A Board staff may issue an Information/Document Request (IDR) Board form used to request single or multiple documents, data, and other information from the taxpayer under audit. An IDR will be issued when the taxpayer fails to provide records in response to verbal requests. An audit engagement letter, which is used to confirm the start of an audit or establish contact with the taxpayer, is not an IDR.
- (8) AUDIT FINDINGS PRESENTATION SHEET (AFPS). An Audit Findings Presentation Sheet (AFPS) is Board form used to present the staff's findings for each area of the audit as it is completed. The audit working paper lead and subsidiary schedules are attached to the AFPSs.
- (9) RECORDS. For the purposes of this regulation, "records" includes all records, including electronic (machine-sensible) records, necessary to determine the correct tax liability under the Sales and Use Tax Law and all records necessary for the proper completion of the sales and use tax return as provided in Regulation 1698.
- (10) DAY. For the purposes of this regulation, "day" means calendar day.

(b) GENERAL.

The Board has a duty and an obligation to utilize its audit resources in the most effective and efficient manner possible. This regulation provides taxpayers and Board staff with the necessary procedures and guidance to facilitate the efficient and timely completion of an audit. The regulation also provides for

appropriate and timely communication between Board staff and the taxpayer of requests, agreements, and expectations related to an audit.

(1) The purpose of an audit is to efficiently determine whether or not the amount of tax has been reported correctly based on relevant tax statutes, regulations, and case law.

(2) The audit of a taxpayer's records shall be completed in sufficient time to permit the issuance of a Notice of Determination or Notice of Refund within the applicable statute of limitations. Audits of periods with potential liability shall be completed in sufficient time prior to the expiration of the statute of limitations to allow for the issuance of a determination, unless the taxpayer consents to extend the period by signing a waiver of limitation.

(3) Waiver of Limitation. A waiver of limitation that is signed by the taxpayer prior to the statute expiration date extends the period in which a Notice of Determination or Notice of Refund may be issued. Auditors shall request taxpayers sign a waiver of limitation when there is sufficient information to indicate that an understatement or overstatement exists, but there is insufficient time to complete the audit before the expiration of the statute of limitations. The auditor should also request a waiver be signed when a taxpayer requests a postponement before the audit begins or while an audit is in process. If the taxpayer declines to sign a waiver, the Board may issue a determination for the expiring period(s).

Supervisory approval of the circumstances which necessitated the request for the waiver will be documented in the audit before the waiver is presented to the taxpayer for signature. If the extension of the statute of limitations totals two years or more, approval by the District Principal Auditor will be documented in the audit before the waiver is presented to the taxpayer for signature.

(4) Duty of Board Staff.

(A) Apply and administer the relevant statutes and regulations fairly and consistently regardless of whether the audit results in a deficiency or refund of tax.

(B) Consider the materiality of an area being audited. Audit decisions are based on Board staff's determination of the amount of a potential adjustment balanced against the time required to audit the area and the duty to determine whether the correct amount of tax has been reported.

(C) Make information requests for the areas under audit as provided in Regulation 1698. The auditor will explain why records are being requested when asked to do so. The auditor will also work with the taxpayer to resolve difficulties a taxpayer has when responding to Board information requests, including the use of satisfactory alternative sources of information.

(D) Do not directly access the taxpayer's computer system if the taxpayer objects to such access, except in the case of a search warrant.

(E) Provide an audit plan to the taxpayer as provided in subdivision (c)(7) of this regulation.

(F) Adhere to the timelines set forth in the original audit plan, or in the audit plan as amended pursuant to subdivision (c)(7) of this regulation, and provide the resources to do so.

(G) Keep the taxpayer apprised of the status of the audit through status conferences and AFPSs.

(H) Inform the taxpayer of the audit findings at the exit conference.

(I) Copy taxpayers (e.g., owners, partners, or corporate officers) on all Board correspondence related to the audit when the taxpayer has authorized another party to represent them.

(J) Safeguard taxpayers' records while examining them.

(K) Inform the taxpayer of the audit process, the taxpayer's rights, and appeal rights at the beginning of the audit.

(5) Duty of Taxpayers.

(A) Maintain records. Taxpayers have a duty to maintain the records and documents as required by Regulation 1698.

(B) Provide records requested by the Board pursuant to Regulation 1698; and adhere to the timelines in the original audit plan, or in the audit plan as amended pursuant to subdivision (c)(7) of this regulation; ~~and provide adequate resources to do so.~~

(C) Make records available for photocopying or scanning. The Board may require the taxpayer to provide photocopies, or make available for photocopying or scanning, any specific documents requested by the Board that relate to questioned transaction(s) if necessary to determine the correct amount of tax, unless the Board is ~~otherwise~~ prohibited by federal law from requiring the specific documents.

(6) Application of Timeframes. The timeframes in this regulation are intended to provide for an orderly process that leads to a timely conclusion of an audit and are not to be used to prevent or limit a taxpayer's right to provide information.

(A) Some AFPSs can be responded to in less than or more than the timeframe specified in this regulation. The auditor has discretion to adjust this timeframe as warranted.

(B) Due dates for responses to IDRs and AFPSs shall be within the statute of limitations applicable to the audit. Auditors will consider late responses to IDRs and AFPSs, provided a period of the audit will not expire due to the statute of limitations.

(C) The timeframes provided in this regulation will have no effect on the statute of limitations as provided by the Revenue and Taxation Code or on any remedies available to the Board or rights of the taxpayer.

(c) AUDITS.

(1) Location of Audit. Audits generally take place at the location where the taxpayer's original books, records, and source documents relevant to the audit are maintained, which is usually the taxpayer's principal place of business. A request to conduct the audit at a different location shall include the reason(s) for the request. It is the taxpayer's responsibility to provide all requested records at that location. Requests will be granted unless Board staff determines the move will significantly delay the start or completion of the audit, or the Board does not have adequate resources available to conduct the audit at the requested location.

If the taxpayer operates out of a private residence, or has a small office or work environment that will not accommodate the auditor(s), Board staff may require the records be brought to a Board office or taxpayer's representative's office. If the audit is conducted at a Board office, the taxpayer will be provided a receipt for records.

(2) Multiple Requests by Taxpayers to Change the Location of an Audit. After an initial request to change the audit location has been granted by Board staff, any subsequent requests for location changes in the same audit period shall be made in writing and include the reason(s) for the request. These

subsequent requests will be considered on a case-by-case basis. Approval of these requests is at the discretion of Board staff.

(3) Site Visitations. Regardless of where the audit takes place, Board staff may visit the taxpayer's place of business to gain a better understanding of the business' operations (for example, a plant tour to understand a manufacturing process, or a visit to a restaurant to observe seating facilities or volume of business). Board staff may not visit secure areas, or areas that are regulated by the federal government where federal security clearance is necessary, unless authorized by the taxpayer. Board staff generally will visit on a normal workday of the Board during the Board's normal business hours.

(4) Time of the Audit. Board staff will generally schedule the field audit work for full days during normal workdays and business hours of the Board. The Board will schedule audits throughout the year, without regard to seasonal fluctuations in the businesses of taxpayers or their representatives. However, the Board will work with taxpayers and their representatives in scheduling the date and time of an audit to try to minimize any adverse effects.

Generally, the Board will not hold in abeyance the start of an audit pending the conclusion of an audit of prior periods or pending completion of an appeal of a prior audit currently in the Board's appeals process. In cases where a prior audit is under appeal and the audit for the subsequent periods is not held in abeyance, the Board will begin the current audit by examining areas that are not affected by the outcome of the appeal.

(5) Pre-audit Conference. Taxpayers (e.g., owners, partners, or corporate officers) shall be invited and encouraged to attend the pre-audit conference, whether or not the taxpayer has authorized another party to represent them. On audits where electronic records are involved, the Board's computer audit specialist shall participate in the pre-audit conference and the taxpayer's appropriate information technology staff shall be invited and encouraged to attend.

During the pre-audit conference, the items to be discussed include, but are not limited to: general audit procedures, availability and access of records, computer assisted audit procedures, relevant sampling issues, data transfer process, verification of data, security of data, timeframes for furnishing and reviewing records, and the name of the person designated to receive IDRs.

(6) Opening Conference. Taxpayers (e.g., owners, partners, or corporate officers) shall be invited and encouraged to attend the opening conference, whether or not the taxpayer has authorized another party to represent them. During the opening conference, the items to be discussed include, but are not limited to: the scope of the audit, the audit plan, audit processes and procedures, claims for refund, estimated timeframes to complete the audit, the name of the person designated to receive IDRs, and the scheduling of future audit appointments. At the opening conference, the auditor shall provide in writing, the name and telephone number of the audit supervisor, and any Board staff assigned to the audit team.

(7) Audit Plan. All audits must be guided by an organized plan. The audit plan documents the areas under audit, the audit procedures, and the estimated timeframes to complete the audit. A carefully thought out, but flexible audit plan requires advance planning and a proper overview of the assignment as a whole. To facilitate the timely and efficient completion of an audit, Board staff shall develop an audit plan that strives for the completion of the audit within a two-year timeframe commencing with the date of the opening conference and ending with the date of the exit conference. Most audits will be completed in a much shorter timeframe and others may require a period beyond two years. Nothing in this subdivision shall be construed to extend the completion of an audit to two years when it can be completed in a shorter timeframe, nor limit the completion of an audit to two years when a longer timeframe is warranted.

An audit plan is required on all audits. The audit plan shall be discussed with, and a copy provided to, the taxpayer at the opening conference, or when it is necessary for the auditor to first review the taxpayer's

records, within 30 days from the opening conference. The audit plan should be signed by the auditor and either the taxpayer or the taxpayer's representative to show a commitment by both parties that the audit will be conducted as described in the audit plan to allow for the timely completion of the audit. The audit plan is considered a guideline for conducting the audit and may be amended throughout the audit process as warranted. If the original audit plan is amended, the auditor shall provide the taxpayer with a copy of the amended plan.

(8) Status Conferences. Taxpayers (e.g., owners, partners, or corporate officers) shall be invited and encouraged to attend status conferences, whether or not the taxpayer has authorized another party to represent them. Status conferences should be held throughout the audit to discuss the status of the audit, IDRs and AFPSs, and to ensure the audit is on track for completion within the estimated timeframes as outlined in the audit plan.

(9) Record Requests.

(A) Verbal Requests. Before auditors proceed with the IDR process, taxpayers shall be allowed to comply with verbal requests for records. When Board staff is unable to make verbal contact with the taxpayer, the auditor may proceed directly with the IDR process. The auditor has the discretion to determine response times for verbal requests.

When records are not provided by the taxpayer in response to verbal requests for information as required by Regulation 1698 and subdivision (b)(5)(B) of this regulation, the auditor may proceed to the IDR process unless doing so results in a period of the audit expiring under the statute of limitations. If a period of the audit will expire, the Board may issue a determination for the expiring period(s).

(B) IDR Process. The IDR process includes the issuance of an initial IDR, a second IDR, and a formal notice and demand to furnish information.

1. Taxpayers will be allowed 30 days to respond to the initial IDR measured from the date the IDR is delivered or mailed to the taxpayer and the person designated by the taxpayer at the pre-audit or opening conference to receive IDRs. Any response other than full compliance with the IDR shall be reviewed by the District Principal Auditor who shall determine the course of action to be taken in response to any issues raised by the taxpayer.

2. Taxpayers will be allowed 15 days to provide records in response to the second IDR requesting the same records as the initial IDR. This date shall be measured from the date the second IDR is delivered or mailed to the taxpayer and the person designated by the taxpayer at the pre-audit or opening conference to receive IDRs.

3. Within 30 days of the taxpayer providing records in response to an IDR, the auditor will notify the taxpayer in writing if the documents provided are sufficient, if additional information is needed, or if the auditor requires additional time to determine the sufficiency of the records.

4. A formal notice and demand to furnish information shall be issued upon the taxpayer's failure to furnish the requested records in response to the second IDR requesting the same records. The taxpayer will have 15 days to provide records in response to the notice and demand to furnish information before Board staff may issue a subpoena for those records or issue a determination based on an estimate, unless doing so results in a period of the audit expiring under the statute of limitations. This date shall be measured from the date the notice and demand is delivered or mailed to the taxpayer and the person designated by the taxpayer at the pre-audit or opening conference to receive IDRs.

(10) Audit Findings Presentation Sheet (AFPS). An AFPS should be used during the course of the audit as soon as each area of the audit is completed to provide the taxpayer with the proposed audit

findings. Taxpayers will be asked to indicate whether they agree or disagree with the proposed findings. The taxpayer will be given an opportunity to provide additional information and documents to rebut the audit findings, generally within 30 days of the date the AFPS was delivered or mailed to the taxpayer, or the taxpayer's representative, or as otherwise provided for in subdivision (b)(6) of this regulation. Agreement to the audit findings does not preclude the taxpayer from appealing the issue(s) at a later date.

As a general rule, within 30 days of the taxpayer providing additional information in response to an AFPS, the auditor will notify the taxpayer if adjustment to the audit is warranted based on the information provided.

(11) Exit Conference. Taxpayers (e.g., owners, partners, or corporate officers) shall be invited and encouraged to attend the exit conference, whether or not the taxpayer has authorized another party to represent them. During an exit conference, the items discussed include, but are not limited to: an explanation of the audit findings, the audit schedules, the review process, how to prepay a liability, and the Board's appeal procedures.

The auditor shall provide the taxpayer and the taxpayer's representative with a complete copy of the audit working papers, including verification comments, which explain the basis for the audit findings.

(A) Generally, taxpayers shall be given 30 days from the date of the exit conference to indicate whether they agree or disagree with the audit findings, unless doing so results in a period of the audit expiring under the statute of limitations. If the taxpayer disagrees with the audit findings, they may provide additional information within this 30 days for the auditor to consider. The auditor may adjust the audit findings if warranted based on the information provided.

(B) The audit findings are subject to additional review by Board staff to ensure that the audit findings are consistent with the Sales and Use Tax laws and regulations, and Board policies, practices, and procedures. A copy of any audit working papers adjusted as a result of the review process shall be provided to the taxpayer.

Note: Authority cited: Section 7051, Revenue and Taxation Code. Reference: Sections 7053 and 7054, Revenue and Taxation Code; and California Code of Regulations, title 18, section 1698.