STATE OF CALIFORNIA

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November 21, 2014

VIA INTERNET

Dear Interested Party:

The Audit Manual (AM) is a guide for the Board of Equalization (BOE) staff in administering tax and fee programs. It is available to the public and can be accessed from the BOE web page at http://www.boe.ca.gov/sutax/staxmanuals.htm.

The Sales and Use Tax Department (SUTD) is proposing to revise AM Chapter 2, *Preparation of Field Audit Reports.* The revision incorporates digital audit procedures, BOE-414-Z, *Assignment Activity History,* documentation guidelines and updates the Exhibits with current BOE Forms using updated information. In addition, the following exhibits were deleted as they are no longer in use:

- Exhibit 2, Schedule 414-A-2 – Summary of Differences
- Exhibit 6, Electronic Transcript of Returns
- Exhibit 22, Prepayment of Sales Tax on Gasoline and Diesel Fuel (available on BOE's website)
- Exhibit 25A, Form BOE-414-Z1, *Assignment Status Summary*
- Exhibit 26, Form BOE-502, *Suggested Legislative Changes*
- Exhibit 27, From BOE-1161, *Audit Arrangement Sheet*

The revision material is provided on the following pages for the convenience of interested parties who may wish to submit comments or suggestions. Please feel free to publish this information on your website or otherwise distribute it to your association/members.

If you have any comments or suggestions related to the proposed AM revisions, you may contact the BOE at AM.RevisionSuggestions@boe.ca.gov. Your comments or suggestions must be received by BOE no later than **January 22, 2015** in order to be considered by staff. Thank you for your consideration.

Sincerely,

Susanne Buehler

Susanne Buehler, Chief
Tax Policy Division
Sales and Use Tax Department

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Audit Manual

Chapter 2

Preparation of Field Audit Reports

Sales and Use Tax Department

California State
Board of Equalization

This is an advisory publication providing direction to staff administering the Sales and Use Tax Law and Regulations. Although this material is revised periodically, the most current material may be contained in other resources including Operations Memoranda and Policy Memoranda.
Please contact any ~~board~~ Board of Equalization office if there are concerns regarding any section of this publication.

PREPARATION OF FIELD AUDIT REPORTS 0200.00

INTRODUCTION 0201.00

START 21 PROGRAM 0201.01

The Start 21 program (Start 21) is an Excel workbook that ~~contains~~ consists of an *Audit Information Template* (Template) and a collection of ~~a set of Board~~ Board of Equalization (BOE) approved audit forms that are common to most audits and electronically linked for use by field auditors. Many of the forms have fields that use the same information. Data from the Template will populate the common information in all the Start 21 forms and save time and effort.

The Template has an automation feature that populates the fields from IRIS. The "Fetch IRIS INFO" button is used for this purpose. Once the Template is populated, review all the fields for accuracy and if incorrect, edit manually. When the audit is completed, review TAR AI and AUD MC to verify the Start 21 information is correct. If the information is not current, update manually or run "Fetch IRIS INFO" button again. ~~The purpose of the program~~ Start 21 is used to standardize the electronic audit form templates ~~being~~ used in the field and ~~give SUTD~~provide an efficient mechanism to quickly update the forms as revisions become necessary. ~~Start 21 is the only approved audit form template package for use with regular audits, revised audits, reaudits and field billing orders.~~

AUDIT REPORT DEFINED 0201.03

The term "audit report" as used in this chapter means an auditor's report of his or her findings and recommendations after completion of an audit. Form BOE–414–A, *Report of Field Audit*, is used when recommending an increase or decrease of the self-assessed tax. Form BOE–414–C, *Report of Examination of Records*, is used when a "no change" audit results.

FORM BOE–414–A, REPORT OF FIELD AUDIT, DEFINED 0201.06

Form BOE–414–A, *Report of Field Audit*, is the auditor's statement of findings and recommendations, which is the basis of the system-generated field audit report. The system-generated field audit report is neither a determination nor a refund and should never be referred to as such. Determinations are made when a Notice of Determination is ~~mailed from Headquarters~~issued by the BOE. Refunds are made when ~~a~~ the BOE issues and mails a Notice of Refund ~~is mailed together with~~and a refund warrant is issued by the State Controller's Office.

FORM BOE–414–B, FIELD BILLING ORDER, DEFINED 0201.09

Form BOE–414–B, *Field Billing Order*, is used ~~by the district or branch office~~ to recommend an additional tax liability or refund from procedures other than those used in regular audits. It is not an audit report and does not change the audit status of the account.

FORM BOE–414–Z, ASSIGNMENT ~~CONTACT~~ ACTIVITY HISTORY, DEFINED 0201.14

Form BOE–414–Z, *Assignment ~~Contact~~ Activity History*, is used to provide a ~~record of taxpayer contacts~~ history of taxpayer contacts, staff actions, taxpayer or taxpayer representative responses and significant events that occur during the course of an assignment. ~~and requests~~. ~~It develops a history of staff actions and taxpayer responses.~~ See AM section 0221.00.

~~**FORM BOE–414–Z1, ASSIGNMENT STATUS REPORT, DEFINED 0201.15**~~

~~Form BOE–414–Z1, *Assignment Status Report*, is used when circumstances warrant a written record of the status on an assignment at some point in time (e.g., training assignments, long term complex audits or cases involving sensitive issues). The use of Form BOE–414–Z1 is discretionary. See AM section 0221.09.~~

FORM BOE–1296, ACCOUNT UPDATE INFORMATION~~, DEFINED~~ 0201.20

Auditors must complete Form BOE–1296, *Account Update Information* (Exhibit ~~23~~15), for each audit report including on Forms BOE–414–C, the *Report of Examination of Records* and Form BOE–414–B, *Field Billing Order*, with the exception of audits of Fortune 500 businesses (www.fortune.com). Auditors must complete Form BOE-1296 after reviewing the taxpayer's books and records. The form should be completed during the course of field work – before the exit conference with the taxpayer and/or representative. Form BOE-1296 should not be mailed or handed to the taxpayer for completion and information to complete the form should not be obtained from the BOE file or permit application. As soon as ~~this form~~Form BOE-1296 is completed, ~~it~~ a copy of it, along with proof of tax reimbursement and any documents used to verify changes in corporate officer(s) or LLC member(s), should be routed to the District Principal Compliance Supervisor, via the auditor's supervisor.

Updating Corporate Officer or LLC Member Information

When completing Form BOE-1296, auditors must verify corporate officer (officer) or LLC members (member) in IRIS on TAR AI. If there is a change of officer or member, auditors must attach a copy of the documents used to verify the information before submitting Form BOE-1296 to compliance staff.

Documents used to verify an officer or member change include, but are not limited to, the following:

- Validated copies of Secretary of State (SOS) forms filed with the SOS.
- A copy of the corporate minutes stating a change of officers.
- A signed letter from the corporation or LLC, preferably on corporate or LLC letterhead, authorizing the corporation or LLC requester to make such changes and also documenting the officer or member change.
- A copy of the bill of sale showing a transfer of the corporate stock to the new officer(s).
- SOS Information obtained by an External Agency Tracking System request.

Other Information

Form BOE–1296 allows auditors to record information regarding a taxpayer's bank accounts, merchant account provider (credit card processor), accounts and notes receivables, and suppliers. This form also allows the auditor to indicate whether a taxpayer includes or adds sales tax reimbursement to the sales price of tangible personal property. Examples of the taxpayer's records illustrating that the taxpayer ~~has~~ included or added sales tax reimbursement to the sales price of tangible personal property include:

- copies of sales invoice(s),
- register receipts,
- Internet information, and
- other point-of-sale documentation.

The examples must be ~~attached~~ included with ~~to~~ Form BOE–1296 in the *Forms* subfolder of the audit case folder. Any statements made by a taxpayer regarding payment of the liability (for example, statements that the taxpayer is unable to pay the entire liability at once but can pay it over the next four months), should also be documented on the back of this form.

In the case of automobile or mobile home dealers, Form BOE–1296 should include the value and location of all non-disbursed escrow accounts established for funds received from buyers as whole or partial payment for mobile homes. ~~If appropriate, the auditor should comment on the adequacy of the current security posted by the taxpayer.~~

In bankruptcy cases, the auditor is required to include the following comments:

- Type of Bankruptcy filed, such as Chapter 7, 11, 13.
- Petition date (the date the bankruptcy was filed).
- Bar date (or the last day to file a claim), Case Number, and Court of Jurisdiction.

In addition, auditors should note the names of the corporate officers at the business during the period of liability and those in charge when the audit is completed, with any differences noted.

IMPORTANCE OF PROMPT COMPLETION OF REPORTS 0201.21

All audit assignments are to be completed promptly. Priority ~~will be~~is given to reaudits to ~~expedite the clearing~~timely clear ~~of~~ petition and refund cases. Priority is also given to "legal" audits (bankruptcies, probates and assignments) to allow ~~Headquarters~~ BOE sufficient time to meet statutory requirements of claims.

~~FRONT OF~~ FORM BOE–414–A, PAGE 1, REPORT OF FIELD AUDIT 0202.00

GENERAL 0202.03

The majority of the fields on page 1 of Form BOE-414-A, *Report of Field Audit*, are populated from the Template in the Start 21 program (see AM section 0201.01). Use the ~~instructions~~information in this chapter to ensure the fields on Form BOE-414-A (as populated from Start 21) are ~~District Aauditors prepare Form BOE–414–A, *Report of Field Audit*,~~ prepared in accordance with the instructions in this chapter. If the information populated from Start 21 is not correct, update the Template manually. In most cases, a Notice of Determination will be prepared ~~in Headquarters~~ directly from information shown on ~~the front~~page 1 of the system-generated version of the BOE–414–A report. ~~When the report involves a bankruptcy, assignment or probate case, *write the word "Legal" in red immediately in the upper right hand corner of the form (AM section 0204.12).*~~

ACCOUNT NUMBER 0202.10

~~Enter~~ T~~t~~he complete account number is populated from Start 21 and includes~~ing~~ the two-letter tax code, the two or three letter office code and the eight- or nine-digit number portion of the account number (e.g., SR–AC–013–654321), as it appears on Form BOE–414.~~-~~Some accounts ~~will~~ have a three-letter tax code, of which the first two letters represent the taxable activity type and the third letter is the taxable activity indicator. For example, SR Y AC 013–654321 and SR Z AC 013–654321.

If ~~no~~ a permit has not been issued, the district office will obtain a permit for the taxpayer. Arbitrary numbers are no longer issued for audits, and an issue and cancel permit may be necessary for taxpayers who are no longer in business. If the determination is for use tax on a vehicle, vessel or aircraft, the district office will contact the Consumer Use Tax Section.

The auditor will ascertain changes from the Taxable Activity Registration System, Account Inquiry (TAR AI). If the auditor notes changes or discrepancies in the taxpayer's account information, the auditor must notify District Compliance. See AM section 0219.03 for further information.

CASE ID 0202.12

The Case ID number is a unique identifier for an audit. ~~Enter~~ T~~t~~he Case ID number, as noted in the Audit Subsystem, is populated from Start 21.~~.~~

ACT. (ACTIVE) — CO. (CLOSE-OUT) 0202.13

Place an "X" in the appropriate box to indicate whether the account is active or closed out at the end of the audit period.

B.A. (BUSINESS ADDRESS) 0202.15

~~Enter~~ The Business Address is populated from Start 21 and is the address at which the business is actually conducted if different from the mailing address. Otherwise, ~~write~~ "Same~~.~~" ~~is~~ should be noted in this field. If the registration system (screen TAR AI) shows a different business location and/or mailing address, the auditor must notify District Compliance as discussed in AM section 0219.03. It is very important that the registration be immediately corrected. The auditor will not be able to enter a different business address than the one displayed on the registration system when preparing audit reports (Form BOE–414–A or system-generated audit report).

DATE OF REPORT 0202.18

The date of the audit report is the last date the auditor charges time to the assignment. In the case of audits returned for correction, the completion date will be changed to the actual date the assignment was last considered even though no additional time charges are required.

AREA CODE 0202.21

The twelve (12) digit area code is populated from Start 21. ~~will be transcribed~~ Check ~~from~~ TAR AI for accuracy. However, when additional local tax liability or credit is to be allocated or reallocated to more than one local jurisdiction, the auditor must prepare Form BOE–414–L, *Auditor's Worksheet – Local Sales and Use Tax Allocation* (AM section 0209.00). In those rare instances where the entire additional local tax liability is to be allocated to a single jurisdiction other than that in which the permit is located, prepare Form BOE–414–L using the area code for the jurisdiction receiving the allocation and provide a brief explanation of the allocation of the local tax to such jurisdiction in the "General Audit Comments" ~~section~~ of Form BOE–414–A.

See AM section 0209.15 regarding changes in tax area code during the audit period due to incorporation, annexation or relocation.

~~BUS. (BUSINESS) CODE~~ NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS) CODE 0202.27

~~Transcribe the~~The ~~business~~ NAICS code is populated from Start 21. Check ~~from~~ TAR AI for accuracy (AM section 0206.21).

EXTRA COPIES 0202.33

Leave this section blank.

FIRM NAME 0202.36

This field is populated from Start 21. Check TAR AI for accuracy. If the taxpayer is operating the business under a fictitious business name (e.g., H.M. Jones, firm name, "The Wagon Wheel"), ~~place~~ the fictitious business name appears on this line. If the taxpayer does not use a firm name, ~~leave~~ the line ~~blank~~should be blank.

OWNER 0202.39

This field is populated from Start 21 and is ~~Enter~~ the correct legal name of the taxpayer ~~in the space provided~~ (do not abbreviate~~1~~). The taxpayer's legal name should be entered on audit reports as is, even if part of the name is abbreviated. However, an auditor should **not** initiate the abbreviation of any part of the taxpayer's legal name.

The taxpayer's legal name must be accurate since determinations issued to the wrong person are invalid. ~~Enter~~ Ensure the correct name is populated in the designated space on Form BOE–414–A even if it is different than the name in which the permit was issued. If any changes are necessary to correct the taxpayer's name or address as it appears in the ~~Board's~~ BOE's records, the auditor must immediately notify District Compliance as discussed in AM section 0219.03. The correct information cannot be entered on the audit report until the registration system information is updated.

WHERE PROPRIETOR'S NAME IS IN DOUBT 0202.42

If there is no question as to the identity of the owner, but only a question as to the correct name, the correct name should appear on the audit report. The auditor must contact District Compliance immediately to have the name changed. As stated previously, the correct information cannot be entered on the audit report until the registration system information is updated (see AM section 0219.03). For example:

Old name: California Glass Company, Inc.

Correct name: California Glass Company, Ltd., or

Old name: J. O. Smith

Correct name: Oliver Smith

~~[1] The taxpayer's legal name should be entered on audit reports as is, even if part of the name is abbreviated. However, an auditor should not initiate the abbreviation of any part of the taxpayer's legal name.~~

WHERE PRECISE OWNERSHIP IS UNKNOWN 0202.45

If it is impossible to determine the ~~name~~ identity of the owner, the auditor should ascertain the name and permit number of all possible or probable owners and enter those names and permit numbers under a separate heading in the "General Audit Comments" ~~section~~ of Form BOE–414–A. This information allows issuance of a Notice of Determination against all possible parties who may be liable for the tax. In these cases, enter on ~~the front~~page 1 of Form BOE–414–A the registered owner of the permit number audited. Then, enter the following notation on page 3 of Form BOE–414–A under "Special Instructions": "Attention Audit Determination and Refund Section — Dual determinations requested." A dual determination cannot be issued without a permit number. Therefore, if a person listed as a probable owner is not registered with the ~~Board~~BOE, the auditor should contact District Compliance to obtain a "53" series arbitrary permit number for that person.

If the auditor is not going to request the dual determination in conjunction with the current audit billing, the auditor should send a copy of Form BOE–414–A and all available supporting documentation to the district of account of the probable owner for further investigation.

INDIVIDUAL PROPRIETORS 0202.48

Ensure ~~Enter~~ the name of the owner and the fictitious business name, if any, are populated on the form where indicated.

HUSBAND AND WIFE CO-OWNERSHIP 0202.49

Some accounts are registered as a husband and wife co-ownership. ~~Enter~~ Ensure the name of both the husband and the wife are entered on the form:

Example: John F. and Mary G. Smith

PARTNERSHIP ACCOUNTS 0202.50

~~In order to~~To inform general partners of their partnership's tax liability, the Integrated Revenue Information System (IRIS) automatically sends notices of determination to all known general partners on all partnership accounts, including closed-out accounts, at the time the initial notice is prepared. A separate notice is sent to the partnership entity.

For closed-out partnership accounts, the auditor must enter the name and address of all known partners in the "General Audit Comments" ~~section~~ of Form BOE–414–A, under the caption "RUPA Compliance" (AM section 0206.55). In addition, the auditor must place a

statement on page 3 of Form BOE–414–A under the "Special Instructions" caption, indicating that there are general partners listed in the "General Audit Comments" ~~section~~ of the form.

GENERAL PARTNERSHIPS 0202.51

~~Enter~~ Ensure only the name of the partnership is populated on the form. The names of all partners are to be listed in the "General Audit Comments" ~~section~~ of Form BOE–414–A, under the ~~comment~~ caption "Type of Business Organization" (see AM section 0206.12).

If the account is not registered in the partnership name (e.g., a partnership name was not provided at the time of registration), then the account registration needs to be changed to reflect the partnership entity as the owner of record. To have the account registration changed, the auditor must notify District Compliance as discussed in AM section 0219.03.

LIMITED PARTNERSHIPS 0202.54

Unlike general partnerships, all limited partnerships (and limited liability partnerships) are required to register with the Secretary of State. ~~Enter~~ Ensure the limited partnership's name, as registered with the Secretary of State is populated on Form BOE–414–A. List all partners, however, with their designation in the "General Audit Comments" ~~section~~ of Form BOE–414–A, under the caption "Type of Business Organization" (see AM section 0206.12). For example:

"Limited Partnership. John L. Ritter, general partner, and Robert M. Kyle, limited partner."

LIMITED LIABILITY COMPANIES 0202.56

Ensure~~Enter~~ the name of the limited liability company is populated in the section provided on the form. The name of each limited liability company must be followed by the letters "LLC." List the names of managers, members, and any officers with their designations in the "General Audit Comments" ~~section~~ of Form BOE–414–A, under the caption "Type of Business Organization" (AM section 0206.12).

CORPORATIONS 0202.57

If the corporation operates under a fictitious business name, ~~enter~~ ensure both the corporate name and the fictitious business name are populated on the form. The auditor must ascertain the correct corporate designation, such as Company; Co.; Company, Inc.; Co., Inc.; Inc.; Incorporated; or Ltd., since many corporations have names which are identical except for a difference in such designations. List the names of the primary officers of the corporation in the "General Audit Comments" ~~section~~ of Form BOE–414–A, under the caption "Type of Business Organization" (AM section 0206.12).

Dual determinations may be issued against a corporation and its corporate officers, shareholders or other responsible persons. See AM section 0204.16 for further information.

PRIVATE TRUSTS 0202.60

~~Place~~ Ensure the names of the trustees in addition to the name under which the business is operated is populated in the section provided on the form. Do not include the names of the beneficiaries.

JOINT VENTURES 0202.63

Ensure ~~Enter~~ the name of each party to the venture in addition to the name under which the venture is being conducted is populated on the form.

NAME CHANGES DUE TO MARRIAGE 0202.66

If a person who operated a business under a maiden name is later married and continues to operate the business as sole owner, ensure~~enter~~ the name and firm name are populated on the form as follows:

FIRM NAME	Robin Hood Tearoom
OWNER	Robin Smith, formerly Robin Jones

DECEASED TAXPAYERS (PROBATE CASES) 0202.69

If the report covers the operations of a decedent, ensure~~enter~~ the name and firm name are populated as follows:

FIRM NAME	Acme Electrical Works
OWNER	John Smith, deceased

If the audit covers operations subsequent to date of death, where the business is operated by a personal representative, then the name and firm name should appear as follows:

FIRM NAME	Acme Electrical Works
OWNER	Estate of John Smith, deceased
	Peter Jones, Executor

The name and firm name should be shown in this manner whether or not the personal representative (executor, executrix, administrator, administratrix, etc.) has obtained a new permit.

If a deceased taxpayer's business is operated after the taxpayer's death, two audit reports (BOE–414–A) are required, one for the period prior to death and one for the period when the business is operated by the decedent's personal representative.

BANKRUPTCY CASES 0202.72

For the period during which the business was operated by the debtor, ensure ~~enter~~ the name and firm name are populated in the same manner as though the taxpayer was not a debtor. For the period during which the business is operated by a trustee, ~~enter~~ the name and firm name should appear as follows:

FIRM NAME	Elite Restaurant
OWNER	Estate of John Smith, debtor
	Peter Jones, Trustee

As in probate cases, the above style should be used whether or not a new permit has been obtained.

If a taxpayer operates a business after filing a bankruptcy petition, two audit reports (BOE–414–A) are required, one for the period prior to bankruptcy and one for the period when the business is operated by the trustee under the jurisdiction of the court.

ASSIGNMENT FOR THE BENEFIT OF CREDITORS 0202.75

For periods during which the business is operated by an assignor, the assignor's name and firm name should appear as though no assignment had been made. For the periods during which the business is operated by the assignee, the name and firm name should appear as

follows:

FIRM NAME	Best Bakery
OWNER	Peter Jones, Assignee for John Smith

RECEIVERSHIP 0202.78

If a court has appointed a receiver, ensure~~enter~~ the name and firm name are populated as it was prior to the receivership. However, the name and firm name for periods operated by the receiver should appear as follows:

FIRM NAME	Alaska Fur Store
OWNER	John Jones, Receiver for Peter Smith

GENERAL RESPONSIBILITIES 0202.80

If the district office learns that a taxpayer's account (any business tax) is involved in bankruptcy (either Chapter 7, 11, or 13), assignment or probate, the district office will enter this information on the Legal subsystem.

Special timelines and procedures apply to audits concerning bankruptcies, assignments for the benefit of creditors, receiverships, and probates. To ensure the timely preparation and filling of appropriate claims by the ~~Special Procedures Section~~Special Operations Branch, "Legal" audits must be transmitted to Headquarters one month prior to the claims bar date (see Compliance Policy and Procedures Manual (CPPM) section 740.000 and AM section 0215.21).

M.A. (MAILING ADDRESS) 0202.81

This field is populated from Start 21 and is ~~Enter~~ the taxpayer's current mailing address. If the mailing address shown on TAR AI is different, the registration records must be corrected. To correct the registration records, the auditor must notify District Compliance as discussed in AM section 0219.03.

To ensure proper notification to the taxpayer in the event of a liability or refund, it is important to verify the taxpayer's ~~close-out~~ mailing address at the time of the investigation or audit. District staff, upon noting a change in the mailing address, must notify District Compliance for entry on the registration system as discussed in AM section 0219.03. The on-line registration system allows immediate changes to be made to the mailing address on active and closed out sales and use tax accounts.

If the ~~district~~ BOE is about to issue a determination close to statute or on a closed-out account and if ~~the district~~BOE staff is uncertain about the taxpayer's correct address, or has information of a possible alternate address, then the determination will be mailed to the last address of record received from the taxpayer in addition to any other address believed to be the taxpayer's correct address.

JURIS — AMOUNT 0202.84

Leave this section blank. This information is found on Form BOE-414-A, page 2, *Analysis of Measure of Tax by Class of Transaction and Tax Estimate.*

~~FRONT OF~~ FORM ~~-~~BOE–414–A, PAGE 1
LIABILITY (OR CREDIT) DISCLOSED BY AUDIT
0203.00

GENERAL 0203.03

Enter the amounts for tax and ~~,~~ penalty in the spaces provided. ~~, and~~ T~~t~~he date to which interest is computed is populated from the Start 21 Template. ~~in the spaces provided.~~ This information ~~will~~ allows all reviewers and users of the audit report to easily cross-check these figures. The auditor will not enter the amount of interest since interest computation in the system is made by ~~district~~ audit control after the audit report is turned in for ~~district~~ processing. At that time, audit control ~~will~~ enters the interest in the space provided on Form BOE–414–A.

PERIOD 0203.06

~~Enter~~ T~~t~~he beginning and ending dates of the period audited are populated from Start 21, and include~~ing~~ any reporting periods for which no tax change is recommended. Generally, unless there are circumstances such as a close out, an audit period should encompass at least twelve quarterly reporting periods. If the audit report is completed with less than twelve quarterly reporting periods, provide a brief explanation of why the period is shorter, in the "General Audit Comments" ~~section~~ of Form BOE–414–A.

With the exception of periods extended through amnesty, the audit period should not include any reporting period which has expired under the statute of limitations unless the taxpayer signed Form BOE–122, *Waiver of Limitation*, which is ~~attached~~ included with ~~to~~ the audit report. Unless otherwise instructed, all audit periods include the last completed reporting period preceding the date audit work is commenced.

Generally, the period covered by audit does not include any period that would expire within 30 calendar days of the date the audit is transmitted to Audit Determination and Refund Section (ADRS). Audit reports containing recommendations for additional liability for periods that are about to expire and where no waiver has been secured should be transmitted ~~to Headquarters~~ at least 30 calendar days prior to the date on which such liability will expire. (See AM section 0215.27, especially for audit periods not meeting the 30 calendar day requirement.) On close-out audits, the period covered will conclude with the last day the business operated.

INTEREST TO 0203.09

The date to which interest is computed, as shown on the system-generated Sales Tax Calculation Summary page, is populated from the Start 21 Template.~~, may be entered by the auditor or the District Audit Control.~~

TOTALS 0203.12

~~The District~~ Audit Control ~~will~~ enters ~~on this line~~ the tax, interest, and penalty totals from the system-generated Sales Tax Calculation Summary page.

CREDITS/DEBITS 0203.15

These three boxes are for Headquarters use. Enter credits available for application to audit liabilities in the "Special Instructions" section on page 3 of Form BOE–414–A (AM section 0205.62). These credits may be in the form of payment on account, application of a cash deposit, time certificates of deposit, book entry time deposit, fully paid investment certificates, or a combination of these. The auditor should review the taxpayer's records in IRIS (TPS TP) to determine if the ~~Board~~ BOE holds security deposits for the taxpayer.

~~The auditor should enter all offsets as a negative number on an upload disk. The upload disk contains a summary of differences identified by the auditor, including offsets in text format. Information contained in the upload disk is the basis for uploading the measure in the system for computing tax, interest and penalty and for allowing offsets on the face of the audit report.~~

Unmatched prepayments that were not cleared under AM section 0208.83 should not be applied against audit or field billing recommendations. The auditor should identify and explain such unmatched prepayments in the "General Audit Comments" ~~section~~ of Form BOE–414–A. ADRS will make the adjustment accordingly.

REVENUE AND TAXATION CODE (RTC) SECTION 6406 CREDITS 0203.16

~~The auditor prepared upload disk~~ Form BOE 414-A, page 2 ~~will~~ reflects credit or debit adjustments to credits taken on returns for taxes paid to other states. Offset credit interest and offset credit penalty for negligence, failure to file, and/or fraud will be allowed on RTC section 6406 Credits.

BALANCE 0203.18

Leave this section blank.

PENALTIES 0203.21

Provide an explanation of the penalty recommended in the space indicated by the asterisk (*). The following are typical explanations of penalty recommendations in sales and use tax audits:

Negligence

Penalty of 10% has been added for negligence.

Penalty of 10% has been added for intentional disregard of the law or authorized rules and regulations.

Fraud

Penalty of 25% has been added for fraud or intent to evade the law or authorized rules and regulations.

Failure to File Returns

Penalty of 10% has been added for failure to file returns.

Penalty of 10% has been added for quarter ended 9/30/xxxx for failure to file a return.

Penalty of 10% has been added for the month of November xxxx for failure to file a return.

Failure to Remit Sales Tax Reimbursement or Use Tax Collected

Penalty of 40% has been added for failure to timely remit sales tax reimbursement or use tax collected from customers.

Misuse of Resale Certificates

Penalty of 10% or $500, whichever is greater, has been added for each misuse of a resale certificate.

Non-Permitted Sellers and Consumers

Penalty of 50% has been added for operating without a permit.

Two penalties

Penalty of 25% for fraud or intent to evade the law or rules and regulations plus penalty of 10% for failure to file returns has been added.

Penalty of 10% has been added for the period from 7/1/xxxx to 12/31/xxxx for negligence and penalty of 10% has been added for the period from 1/1/xxxx to 6/30/xxxx for failure to file returns.

See AM Chapter 5, *Penalties*, for more information on penalties.

~~FRONT OF~~ FORM BOE–414–A, PAGE 1 – ANALYSIS OF MEASURE OF TAX BY CLASS OF TRANSACTION 0204.00

GENERAL 0204.03

The *Analysis of Measure of Tax by Class of Transaction* is detailed on Form BOE-414-A, page 2 (see Exhibit 1, page 2). The non-compliance code provides ~~Make~~ a clear~~, specific~~ and concise description of each class of transaction. ~~under "Analysis of Measure of Tax" on the face of Form BOE–414–A.~~ To see the table of non-compliance codes, click the IRIS TB drop down menu and select "Non-Compliance Codes." Different classes of transactions, where separately identified in the audit working papers, should not be lumped together under one category even though consolidated on ~~a~~ the ~~"Summary of Differences," Schedule 414–A2, or~~ "Taxable Measure," Schedule 12 (i.e., self-consumed merchandise, sales of furniture and equipment, etc., should not be lumped together with an understatement of taxable sales based on application of markup).

Keeping the description of each class of transactions separate is vital because the system-generated copy of this report is sent to the taxpayer, which serves as the summary of the audit findings. Frequently, taxpayers file petitions for redetermination because the taxpayer is unable to understand or reconcile the "Analysis of Measure of Tax" with the information furnished by the auditor. Many of these petitions can be avoided by keeping the descriptions of each class of transactions separate and by providing clearer, more specific and precise descriptions.

The auditor should give the taxpayer sufficient information to reconcile the summary of audit findings appearing under the "Analysis of Measure of Tax" with the taxpayer's records. This information should be in the form of copies of audit working papers, which will include all lead schedules necessary to reconcile with Form BOE–414–A. In some cases, a discussion of the results of audit findings may be sufficient, particularly when the audit is not too complex and only one or two classes of transactions may be involved. Even in these instances, however, a condensed summary of the audit findings should be included and would be appropriate, if for no other reason than to refresh the taxpayer's memory concerning the "Report of Field Audit."

ADJUSTMENTS BY CATEGORIES 0204.06

A system-generated audit report (BOE-414-E) itemizes each item of adjustment. Therefore, the auditor need not make adjustments by category, such as Taxable Measure Understated/Overstated~~ or Total Sales Understated/Overstated~~. The auditor should merely list all the items of adjustment found in the audit in numeric sequence (see Exhibit 1, page 2).

Where taxpayer's records are inadequate or nonexistent and a deficiency is recommended, an adequate explanation of each item should be made in accordance with the list of categories created by the auditor.

CLASSIFICATION OF TRANSACTIONS 0204.09

The auditor will provide a sufficient explanation of the detailed adjustments in numeric order on the form. Analysis of the differences for all taxes should be similar in form as the following example:

1. Omission in reporting sales of equipment — Actual	$ 50,836
2. Sales of scrap metal not reported — Actual	2,820
3. September 20XX cash sales not reported	16,095
4. Equipment purchased ex-tax from out-of-state retailers — Actual	80,325
5. Self-consumed supplies purchased for resale subject to use tax based on test of August 20XX	32,090
6. Channel iron withdrawn from resale stock used for plant additions subject to use tax — Actual	13,925
7. Disallowed claimed resales developed by test of July 20XX	84,659
8. Errors in compiling returns from records — Actual	5,295
9. Sale to State of California claimed in error as U.S. Government sale — Actual	3,500
10. Sale to Department of Agriculture not claimed as a U.S. Government sale~~s~~ — Actual	– 3,050
11. Discounts claimed on sales for resale disallowed based on test of 3rd Quarter 20YY	4,080
12. Error in compiling taxable cash discounts based on test of 2nd Quarter 20ZZ	– 1,550
13. Disallowed claimed returned merchandise deduction — Actual	8,500
Total	$297,525

Whenever the measure of tax is different for State, Local, County, STTI, or District, the auditor will list the applicable measure of each tax, where different, in a separate column, with a heading at the top of each column, indicating the type of tax. (See Exhibit 1, page 2.)

SPECIAL INSTRUCTIONS AND INFORMATION 0204.12

Below are typical notations that appear on the bottom of ~~the front~~page 1 of the system-generated report. However, these notations are entered on page 3 of Form BOE–414–A under "Special Instructions" (see AM section 0205.62 and Exhibit 1, page 3).

(a) A list of related accounts audited or examined in conjunction with the current account (AM section 0205.46).

(b) A notation that security is available, especially in bankruptcy audits (AM section 0203.15).

(c) In case of closed-out partnership accounts, a statement indicating that there are general partners listed in the "General Audit Comments" of Form BOE–414–A (AM section 0202.50).

(d) A special notation when separate determinations have been issued for expiring periods, such as phone billing and FBO (AM section 0215.30).

(e) When a dual determination is involved, a notation regarding the following:

- Predecessor's liability

- Successor's liability or
- Collection thereof

(f) "Urgent" or "Attention" Notices, such as:

- Urgent: waiver expires (date).
- Attention: A 10% finality penalty of $XX will be added by Headquarters.

(g) Notation to Headquarters, such as:

- For tax deficiencies disclosed by audit but reported by taxpayer on a subsequent return, a comment that an amended return was obtained from the taxpayer for the period in which the amounts were reported and a notation that a copy is attached.
- Status of account, such as Escrow pending, or if a legal audit, such as Bankruptcy, Assignment, or Probate, is involved.

(h) A notation that surety bond exoneration is involved.

(i) If a Fraud Penalty or Jeopardy Determination is involved, notations, such as:

- Fraud Penalty Recommended ~~— Written in red at the top of Headquarters' audit report~~
- Jeopardy Determination ~~(AM section 0204.15)~~ Recommended — See attached memo. (AM section 0204.15) ~~Same as above, but also Iinclude a letter that contains all facts and circumstances that support the recommendation signed by the District Administrator.~~

(j) A statement regarding copy instructions.

(k) A notation if a "Subpoena" is issued for taxpayer's records.

~~Below are notations that are posted at top of Form BOE-414-A. These notations are written in red as a flag for special Headquarters handling.~~

~~(a) "LEGAL" if bankruptcy, assignment, or probate is involved.~~

~~(b) "JEOPARDY" if a jeopardy determination is recommended.~~

~~(c) "STATUTE" if a report contains recommendations for additional liability for periods which are about to expire.~~

~~(d) "MISUSE R/S" if a misuse of resale certificate penalty is recommended.~~

~~(e) "N/P" if a penalty for operating without a permit is recommended.~~

RECOMMENDATIONS REQUIRING ADMINISTRATOR'S APPROVAL 0204.14

Whenever a fraud or intent to evade penalty or jeopardy determination (AM section 0204.15) is recommended, a memorandum is required from the District Administrator to the Chief, Headquarters Operations Division, for fraud or intent to evade penalties or the Chief, Tax Policy Division, for jeopardy determinations. Copies of the memorandum will be sent to the Chief, Field Operations Division. ~~or Chief, Collections and Third District Operations Division, and Special Procedures Section.~~

The memorandum will include all of the facts and circumstances ~~which~~ that support the recommendations. The ~~district~~ administrator or ~~someone~~ acting administrator ~~on his or her behalf during his or her absence~~ must sign the memorandum. After execution of the memorandum by the ~~district~~ administrator, attach the completed memorandum to the audit report and forward for review.~~it to the appropriate Chief as noted above for approval~~. Approval will be obtained after the ~~district~~ review process is completed (AM section 0507.75).

JEOPARDY DETERMINATIONS 0204.15

The purpose of a jeopardy determination is to provide a means of protecting the State's interest when there is substantial evidence that any further delay in collection activity would seriously impair or jeopardize the ~~Board~~BOE's ability to obtain taxes due. Jeopardy determinations are a notice to the taxpayer that tax is immediately due. (RTC section 6536.) Taxpayers must post a security deposit with the ~~Board~~BOE in order to file a petition for redetermination on jeopardy determinations. (RTC section 6538.)

Use the following examples a~~A~~s a guide for instances when ~~in determining whether a jeopardy determination should be recommended, the following are some examples of instances when~~ a jeopardy determination is warranted:

1. Taxpayer is dissipating assets.
2. Evidence exists that the taxpayer is placing assets in the names of other persons for purposes of concealment.
3. Taxpayer's assets are being attached by creditors, or are in imminent danger of attachment.
4. There is a pending sale of property that represents the last remaining asset and, without the funds from such sale, collection is doubtful.
5. There is evidence that the taxpayer intends to file a petition in bankruptcy or make an assignment for the benefit of creditors.
6. There is evidence that creditors intend to file an involuntary petition in bankruptcy against the taxpayer.

A recommendation for a jeopardy determination should be well documented and fully supported (see AM section 0204.14). The recommendation will set forth the specific evidence that indicates a jeopardy determination is warranted and will include:

1. Information as to the county or counties where liens are to be filed.
2. Whether or not a lien is to be recorded with the Secretary of State.
3. Whether or not a warrant is required at the time of issuance.
4. If a warrant is required, to whom it is to be directed, along with information regarding the asset or assets to be levied upon and the amount of advance fees that may be required.

~~Attach~~ Include the completed memorandum ~~to~~ with the audit report or field billing order. ~~Then a~~Add a notation, "Jeopardy Determination — see memo attached," on page 3 of Form BOE–414–A under the "Special Instructions" caption (AM section 0204.12).

For more information, see CPPM sections 753.000, *Warrants and Levies*, and 757.000, *Notices of State Tax Liens, Abstracts of Judgment and Liens*.

(N–A) NAME-ADDRESS 0204.18

Place a check mark in this box when a mailing address other than the address of record is used or if the owner's name is not properly registered and the change does not involve a different legal entity. To have the registration changed, the auditor must notify District Compliance (AM sections 0202.81 and 0219.03).

INTEREST CALC. DATE — BATCH 0204.21

These spaces are reserved for Headquarters' use.

NAME OF AUDITOR 0204.22

~~Enter~~ T~~t~~he name of the auditor in charge of the actual field work is populated from Start 21.

FORM BOE–414–A, ~~(~~PAGE 3~~)~~
MISCELLANEOUS INFORMATION 0205.00

GENERAL 0205.03

Page 3 of Form BOE–414–A (Exhibit 1, page 3) provides a place to record information that may be required by reviewers and Headquarters. In some instances, the information is a summation of information contained in the working papers. ~~Completion~~ Some fields of the form are populated from the Start 21 Template (see AM sections 0201.01 and 0202.03), the rest are completed ~~is accomplished by checking boxes~~ by using dropdown menus, answering questions, completing statements and/or making general comments as required. Use the instructions in this chapter to ensure the fields populated from Start 21 are prepared in accordance with the instructions in this section. Care should be taken in entering the correct information on the audit report and on the Start 21 Template since this information is used as a control in ensuring that appropriate audit forms are attached.

LEGAL 0205.04

Place an "x" in this box if the audit involves a bankruptcy, assignment or probate case. ~~Also make a special notation in red on the top of the front of Form BOE–414–A to ensure prompt handling of the case at all levels (see AM section 0204.12 for notations).~~

TAX CLEARANCE 0205.05

Place an "x" in this box if a tax clearance has been requested.

OFFICE MAKING AUDIT CODE 0205.06

~~Enter t~~The alphabetical office code of the district/branch office making the audit is populated from Start 21. The office making audit (OMA) code of the district controlling the audit is entered when inter-district cooperative audits are involved.

CELL 0205.07

The cell number is ~~transcribed~~ populated from Start 21 and comes from the ~~system screen~~ AUD MC system screen.

RECOVERY GROUP YEAR 0205.08

The recovery code and year are ~~transcribed~~ populated from Start 21 and come from the ~~system screen~~ AUD MC system screen.

ID — CLASS — AUDIT MADE BY — HOURS 0205.10

~~Enter~~ Tthe participating auditor's first ~~and middle~~ initial~~s~~, last name, identification number, class code, and hours are populated from Start 21. If more than one auditor is involved in the audit, the appropriate information for each auditor should appear in the fields provided on page 3 of the BOE-414-A.

The class code numbers are as follows:

Auditor Trainee — 9; Tax Auditor Range A — 1; Tax Auditor Range B — 2;
Associate Tax Auditor — 3; Business Taxes Specialist I — 4;
Business Taxes Specialist II – 6.

For example:

John ~~D.~~ Nichols, who is a Tax Auditor Range B, will enter "2 J~~. D.~~ Nichols."

The number of hours is the direct audit time spent by auditors in making the audit or reaudit prior to the time it is transmitted to Headquarters. Audit hours are in whole or fractional numbers and should agree with the hours shown on Form BOE–610, *Auditor's Monthly Report*.

~~When more than four auditors from the same OMA are involved, the auditor's ID number, class code, name, and hours will be listed in the lower left hand corner. When auditors from more than one office within a district provide assistance in an audit, each auditor's office code OMA will be noted proceeding the auditor's hours. When auditors from more than one district participated in an audit, enter "Form BOE–197." The auditor in charge will prepare the final Form BOE–197, *Allocation of Tax Change of Cooperative Audit Report*.~~

TOTAL HOURS 0205.12

Enter the total audit hours. This number does not include reviewer's and field supervisor's time. If the supervisor actually performed audit work, the field supervisor's time should be shown in the same manner as an auditor working on the audit assignment.

SUPERVISOR 0205.15

This space is populated from the Start 21 Template ~~populates this space~~ with t~~T~~he name of the supervising auditor who performs the initial cursory review of the report ~~signs the report in this space~~.

REVIEWED BY — DATE OF REVIEW 0205.18

The reviewer ~~signs~~ enters his or her name and ~~enters his or her service classification and~~ the date of review.

REPORTED MEASURE OF STATE TAX 0205.19

Enter the reported measure of tax for the entire audit period as shown on Form BOE–414, *Transcript of Returns Filed*.

NAME, TITLE AND PHONE OF TAXPAYER'S REP 0205.25

If the audit results were discussed with the taxpayer's representative, ~~enter~~ the representative's name, title and telephone number are populated from the Start 21 Template~~in the spaces provided~~. See AM section 0222.40, *Correspondence with Taxpayer's Representative*.

DID TAXPAYER CONCUR? 0205.27

~~Space~~ A drop down menu is provided for either a "yes" or "no" answer on page 3 of Form BOE–414–A. Enter "~~no~~N" if the taxpayer is not in agreement, non-committal, or if a personal discussion with the taxpayer could not be arranged. The auditor must comment upon each of the disputed items included in the audit, explain why the taxpayer is non-committal or why there was no discussion. See AM sections 0207.00 — 0207.12, *Exit Conference*.

The field supervisor will review the report of discussion and approve the auditor's explanation of the non-concurrence. Whenever appropriate, the field supervisor will contact the taxpayer for further discussion.

A COPY OF THIS REPORT WAS _____LETTER ? 0205.33

~~The auditor or the supervisor will indicate in the space~~Using the drop down menu, the auditor or supervisor will indicate ~~provided~~ whether a copy of the audit report was "mailed with" or "furnished with" ~~to the taxpayer~~, followed by the appropriate type of transmittal letter (Form BOE–79 letter or a special transmittal letter). If you are not sure of the transmittal letter number, select the "Click for Online Letter Series" button for a pop-up which lists the letter number and a description of each type of letter. (See AM sections 0205.36 and 0205.38 or Exhibit 16.)

TRANSMITTAL FORM LETTERS —~~-~~FORM BOE–79 LETTERS 0205.36

Transmittal form letters are sent to the taxpayer along with the audit report. The various transmittal form letters and their respective appropriate use are ~~contained~~ listed below and in Exhibit ~~24~~20:

- Form BOE–79–A: when the taxpayer does not concur with the audit recommendation and it is anticipated that an office discussion will be held. This form is also mailed when a bankrupt account is involved.
- Form BOE–79–AP: when the taxpayer does not concur with the audit recommendation and has been issued a previous partial telephone billing/determination. This letter informs the taxpayer how to protect their rights to appeal both determinations.
- Form BOE–79–B: when the taxpayer does not concur with the audit recommendations and the audit will be transmitted to Headquarters without further discussion with the taxpayer.
- Form BOE–79–B1: when the taxpayer is not available for discussion of the audit or is noncommittal, and the audit will be transmitted to Headquarters.
- Form BOE–79–C: when the taxpayer concurs with the recommended determination. If the discussion is with someone other than the taxpayer, an asterisk (*) will be entered in the last sentence of the first paragraph, and the name of the person with whom the audit results were discussed will be shown in the lower portion of the letter.
- Form BOE–79–C1: when ~~the taxpayer concurs or disagrees with the recommended~~ recommending a revised determination resulting from additional information or documentation that was made available and replaces the Report of Field Audit previously sent. This report is used whether or not the taxpayer agrees with the revised audit recommendation.~~revised determination which resulted from additional information or documentation that was made available. This report replaces the Report of Field Audit that was previously sent.~~
- Form BOE–79–D: when the taxpayer concurs with the recommended refund.
- Form BOE–79–E when the audit results in a "no change" recommendation.
- Form BOE–79–F when the audit is waived.
- Form BOE-79-G provides written notification that an estimated billing (phone billing) will be issued.

SPECIAL TRANSMITTAL LETTERS 0205.38

When the situation requires, a special transmittal letter is prepared. A special transmittal letter to a taxpayer explains that if the taxpayer believes the audit or field billing order is

in error, the taxpayer may communicate with the district principal auditor to arrange for a meeting to discuss the areas in question. The auditor should ~~enter "See General Comments" on the line provided and~~ make a notation in the "General Audit Comments" of Forms BOE-414-A or BOE-414-B~~section~~ that a special transmittal letter has been sent. (District Audit Control will enter "SEE_GEN_CMNT" on the "Letter Code" line of the AUD CH screen to process the audit in IRIS.) In addition, the following statement should be included in any special transmittal letters:

> "If upon receipt of the official Notice of Determination you believe the report to be in error, you may file a petition for redetermination. Instructions as to form and content of petitions are printed on the Notice of Determination."

LOCAL TAX ~~ALLOCATION~~ WORKSHEET ATTACHED? 0205.40

Where there is a local tax allocation involving two or more taxing jurisdictions, enter "Y" ~~in the space provided~~using the drop down menu. Otherwise, enter "N." Prepare Form BOE–414–L, *Auditor's Worksheet – Local Sales and Use Tax Allocation* (AM sections 0209.00 — 0209.27). Care should be taken in entering the correct information on the audit report because this information is used as a control in ensuring the BOE–414–L is attached. Questions regarding local sales and use tax allocation should be directed to the ADRS — Allocation ~~Group~~and Summary Unit.

~~DISTRICT~~ TRANSIT REALLOCATION ~~SCHEDULE~~ ATTACHED? 0205.41

Where ~~district~~ a special taxing jurisdiction (STJ) ~~tax~~ reallocation is involved, enter "Y" and prepare an ~~District~~ STJ ~~Tax~~ Reallocation Schedule. Otherwise, enter "N."

The Local Revenue Allocation Unit (LRAU) has set up a global email box to electronically transmit the STJ Reallocation schedules that are prepared in field audits. Email all STJ Reallocation schedules to the following mailbox: SUTD-LRAU-STJ-Reallocation.

An email template has been set-up to email STJ Reallocation schedules. A copy of this template is located on the digital audit resources webpage at: http://eboe/eboe3/sutd/tpd/digital_audit.cfm

Questions regarding ~~district~~ STJ ~~tax~~ reallocation should be directed to the Local Revenue Allocation ~~Section~~Unit.

PROFESSIONAL TAX PREPARER? 0205.42

Enter "Y" or "N" using the drop down menu to indicate whether or not the Sales and Use Tax Returns filed by the taxpayer were prepared by a professional person (e.g., a CPA).

CREDIT INVOLVED? CLAIM SECURED FROM TAXPAYER? CLAIM PREVIOUSLY SUBMITTED TO HQ? 0205.43

If a credit or claim for refund is involved, using the drop down menu enter "Y" as to the first question and answer the two questions that follow with either a "Y" or an "N" as applicable. If a credit or a claim for refund is not involved, enter "N."

When an overpayment is noted during the course of an audit, the auditor should secure from the taxpayer a signed claim for refund for the reporting period(s) where overpayments occurred. The taxpayer may not file a claim for refund for periods that have expired under the statute. The claim for refund should clearly indicate the date received by means of received date stamp, post office cancellation date or other device. The claim for refund must

be transmitted to Headquarters within thirty days of receipt, by itself or attached to the audit (see AM sections 0207.12, 0216.00 — 0216.21).

~~**BOE-502 (SUGGESTED LEGISLATIVE CHANGES) ATTACHED? 0205.44**~~

~~As part of the routine audit procedures, an auditor is encouraged to look for areas of the law that appear to be inequitable and/or cause confusion and/or errors in interpretation by taxpayers. When such items are disclosed in the course of an audit, the auditor should prepare Form BOE-502, *Suggested Legislative Changes*, (Exhibit 26) outlining the problem and suggested changes. Space is provided on page 3 of Forms BOE-414-A & BOE-414-B, and on the back of BOE-414-C for either a "yes" or "no" answer regarding the preparation of Form BOE-502. The original BOE-502 should be included in the "Headquarters packet," with no copy retained in the "audit packet" (AM section 0213.03). ADRS will ensure the form is forwarded to the Business Taxes Committee and Training Section.~~

RELATED ACCOUNTS? 0205.46

A related account may result when a retailer has separate seller's permits for different places of business. Using the drop down menu, e~~E~~nter "Y" in the space provided if related accounts exist. Otherwise, enter "N."

If related accounts exist, list all related accounts in the "Special Instructions" box, including those accounts that did not warrant an audit or where examination resulted in a "no change" audit. Include a brief explanation for the omission of audit reports of related accounts under the "General Comments"~~ section~~, if applicable.

AM sections 0214.00 — 0214.15 explain the audit procedure for related accounts.

PUBLICATIONS 17, 70 & 76 GIVEN TO TAXPAYER? 0205.49

Using the drop down menu, enter "Y" or "N" to indicate whether or not Publication 17, 70 or 76 were provided to the taxpayer.

RTC sections ~~6593.5, 6832, 6964,~~ 7080 through 7099.1, ~~and 7156 provide for the~~(Sales and Use Tax Law, Chapter 8, Article 3) comprise the California Taxpayers' Bill of Rights. Publication 70, *Understanding Your Rights as a California Taxpayer*, explains the rights guaranteed to all taxpayers and lists equivalent Special Taxes rights statutes. At the beginning of every audit, auditors are required to provide Publication 70 to all taxpayers ~~when making the initial audit appointment~~ to inform ~~taxpayers~~ them of their rights.

Additionally, RTC section 7086 requires that the taxpayers be informed of their appeal rights at the start of an audit. RTC section 7086 also requires the ~~Board~~ BOE to prepare and publish brief but comprehensive statements in simple and nontechnical language which explain procedures, remedies, and the rights and obligations of the ~~Board~~ BOE and taxpayers. These statements are provided to the taxpayers with the initial notice of audit, and are also provided to the taxpayers upon notice of proposed additional taxes, any subsequent notice of tax due, or with other substantive notices.

Publication 17, *Appeals Procedures*: *Sales and Use Tax and Special Taxes*, explains the ~~Board's~~ BOE's appeals procedures. Publication 76, *Audits*, explains what a taxpayer can expect during an audit and how to prepare for an audit. This information is valuable to all taxpayers and will assist auditors in explaining the audit and appeals process.

The appropriate BOE-80 series, "Audit Engagement Letter," used to confirm arrangements to begin audits or to establish contact with the taxpayer, contain links to Publications 70, 76 and 17 so the taxpayer can download the publications from the BOE's website. Should

the taxpayer not have the ability to download the publications, the taxpayer should be directed to call the Customer Service Center and request copies. ~~Therefore, in addition to Publication 70, all auditors are required to provide taxpayers with Publications 17 and 76 when making the initial audit appointment.~~

~~These publications should be mailed to taxpayers immediately after setting up an audit appointment by telephone, or should be included with a written audit appointment request. Enter "Y" on the space provided for each of these Publications. Auditors will indicate the date that the publications were furnished to the taxpayers on Form BOE-414-Z. (See AM section 0205.59.)~~

CROSS REFERENCING TAXPAYER REGISTRATION INFORMATION IN BOE PROGRAMS 0205.50

Cross referencing taxpayer registration information in BOE programs assists in identifying current sales and use tax permit holders that may need to be registered for Underground Storage Tank Maintenance Fees, Cigarette and Tobacco Product Taxes, Tire Recycling Fees, Environmental Fees, and Electronic Waste Recycling Fees.

To assist in identifying taxpayers with obligations in multiple tax or fee programs, the following questions are listed on Forms BOE-414-A and BOE-414-B (Field Billing Order) See AM section 0210.00 for a discussion on Form BOE-414-B.

- Underground storage tank? (If "Y" add "GC") (see AM section 0205.51)
- Business with 50 or more employees? (see AM section 0205.53)
- Seller of tires? (see AM section 0205.55)
- Does this business sell televisions, computers, or portable DVD players? (see AM section 0205.56)
- Wholesaler/Importer of Tobacco? (see AM section 0205.57)

When performing sales and use tax audits, auditors are required to provide a "Y" or "N" response to each of the above questions on Forms BOE-414-A or BOE-414-B using the drop down menu on the audit report.

When a "Y" response is provided, a special IRIS report is electronically generated by the Technology Services Department (TSD) and forwarded to the Special Taxes Policy & Compliance Division (STPCD) in the Property & Special Taxes Department (PSTD) for investigation.

In addition, staff should provide the following publications during a sales and use tax audit when applicable:

- Publication 88, Underground Storage Tank Fee
- Publication 93, Cigarette and Tobacco Products Taxes
- Publication 91, California Tire Fee
- Publication 95, Electronic Waste Recycling Fee

UNDERGROUND STORAGE TANK? 0205.51

~~Enter "N"~~ I~~i~~f an underground storage tank (UST) is ~~not~~ present on the property owned, leased or operated by the taxpayer,~~.~~ ~~Otherwise,~~ enter a "Y" response, otherwise enter an

"N." When a "Y" response is entered, see AM section 0205.50. ~~and~~ In addition, include the following information in the "General Audit Comments" ~~section~~ of Form BOE–414–A ~~and~~ or "General Comments" ~~section~~ of Form BOE–414–B:

- UST Maintenance Storage Fee account number(s) of the tank owner.~~2~~[1]
- Address where the tank is located.
- Tank owner's name, address and phone number.
- Other information that may identify or locate tank owners.

~~2~~[1] Provide no more than five account numbers and addresses (principal locations only).

If the taxpayer was requested to provide the above information but did not do so, the auditor should comment to that effect. ~~The information entered on Form BOE–414–A and Form BOE–414–B is forwarded to the Fuel Industry Section, Fuel Taxes Division (MIC 30) on an IRIS report.~~

Owners of UST must pay a fee based on the number of gallons of petroleum products placed into the tank. For more information, see Publication 88, *Underground Storage Tank Fee*.

~~CORPORATION~~ BUSINESS WITH 50 OR MORE EMPLOYEES? 0205.53

Enter "Y" if the taxpayer ~~is a corporation with~~has 50 or more employees who are employed more than 500 hours (per employee) during a calendar year. Otherwise, enter "N." When a "Y" response~~s~~ is entered ~~on Form BOE–414–A and Form BOE–414–B~~, see AM section 0205.50. ~~are forwarded to Environmental Fees, Excise Taxes and Fees Division (MIC:57) on an IRIS report.~~

The Environmental Fee applies to ~~corporations~~ certain business organizations with 50 or more employees who are employed more than 500 hours (per employee) during a calendar year. For more information, see Publication 90, *Environmental Fee*.

SELLER OF TIRES? 0205.55

Enter "Y" if the taxpayer sells new tires. Otherwise, enter "N." When a "Y" response~~s~~ is entered ~~on Form BOE–414–A and Form BOE–414–B~~, see AM section 0205.50. ~~are forwarded to the Excise Taxes and Fees Division (MIC 56) on an IRIS report.~~

Sellers must pay a fee for each new tire sold. For more information, see Publication 91, ~~*The Recycling Fee.*~~*California Tire Fee.*

DOES THIS BUSINESS SELL TELEVISIONS, COMPUTERS OR PORTABLE DVD PLAYERS? 0205.56

Enter "Y" if the taxpayer sells new or refurbished televisions, computers, or portable DVD players. Otherwise, enter "N." When a "Y" response is entered, see AM section 0205.50.

Sellers of certain video display devices must register to collect and remit eWaste Fees on their sales of these products. For more information, see Publication 95, *Electronic Waste Recycling Fee.*

WHOLESALER / IMPORTER OF TOBACCO? 0205.57

Enter "Y" if the taxpayer imports cigarettes or tobacco products into California, or if the taxpayer sells cigarettes or tobacco products wholesale in California. Otherwise, enter "N." When a "Y" ~~responses~~ response is entered~~on Form BOE–414–A and Form BOE–414–B~~, see AM section 0205.50. ~~are forwarded to the Excise Taxes and Fees Division (MIC 56) on an IRIS report.~~

All cigarette and tobacco product importers, distributors and wholesalers in California are required to register with the ~~Board~~BOE. Tobacco products include cigars, smoking tobacco, snuff and any other article or product containing at least 50 percent tobacco. For more information, see ~~Publication 15, *California Cigarette and tobacco Products Tax* and~~ Publication 93, *Cigarette and Tobacco Products Taxes*.

PUBLICATIONS PROVIDED 0205.59

In addition to the publications mentioned in AM section 0205.49, auditors ~~will often~~ may ~~mail~~ email or hand deliver other pamphlets, regulations, law sections or other information pertinent to the taxpayer's business and transactions. These publications help taxpayers understand their sales and use tax reporting requirements and application of sales and use tax laws.

List all publications and other printed material furnished to taxpayers (e.g., Publications 17, 70, 76, Regulation 1668, etc.) on page 3 of Form BOE–414–A and on Form BOE–414–Z.

CIGARETTE ~~TAX~~ INDICIA INSPECTION 0205.60

The auditor must inspect the taxpayer's stock of cigarettes in open cartons and loose packages by random sampling to determine whether proper tax stamps have been affixed to the cigarette packages. A comment stating whether the cigarette packages inspected bear the proper tax indicia should be entered. If the taxpayer does not sell cigarettes, a statement to that effect should be made.

When checking purchase records, the auditor should be alert to detect any purchases of cigarettes from persons who are not licensed distributors or wholesalers. Any unusual distribution/sales by a retailer of cigarette should be thoroughly examined.

~~During a field audit or investigation, auditors will also inspect the cigarettes sold through vending machines owned and serviced by the taxpayer under audit. Form BOE–1321, *Cigarette Vending Machine Inspection Report*, will be completed showing all relevant information.~~
~~If the Board's files disclose an inspection was performed within the prior six months, the current inspection may be waived.~~

SPECIAL INSTRUCTIONS 0205.62

Enter in this section the notations that need to appear on the bottom of the front of the system-generated audit report. See AM section 0204.12 for a list of common notations.

WAIVER ATTACHED? — WAIVER PERIOD EXPIRES 0205.66

If Form BOE–122, Waiver of Limitation, is attached, enter "Y," the period covered, and the expiration date. Otherwise, enter "N."

When the statute of limitations is not involved because the account is on an annual basis, add a comment in the "General Audit Comments" ~~section on the back~~ of Form BOE–414–A (i.e., STATUTE OF LIMITATIONS: 2010~~05~~ on an annual basis). This allows Headquarters to easily determine that all periods covered in the report are within the statute of limitations.

The statute of limitations is considered "involved" if any period covered by the audit will outlaw within ninety days from the date of the report.

Care must be taken to enter the correct statute of limitations information on the audit report since this information is critical and used to control audits during statute periods. For additional discussion on the purpose, ~~Board~~BOE policy, and preparation of waivers,

see AM sections 0215.00 — 0215.30.

FORM BOE–414–A, GENERAL AUDIT COMMENTS 0206.00

GENERAL 0206.03

The ~~space under the~~information provided in the "General Audit Comments" ~~heading~~ embedded word document should be on matters of interest other than details of the actual verification work performed. The comments are placed under appropriate captions that are provided in the drop down menus. ~~underlined in lieu of caps used on the system-generated Form BOE-414-E~~. In general, a comment should be made on any point that will be of value in connection with making a determination, making decisions regarding future audits, requiring new permits, correcting ~~Headquarters'~~ taxpayer records, enforcing collection, etc. For example, in describing a construction contractor's business activities, it is not only helpful ~~to Headquarters' staff~~ to know if the taxpayer also makes retail over-the-counter sales, but it is equally important to give the degree of such activity ("substantial" or "rarely"). This information assists ~~Headquarters'~~ BOE staff in determining if audit and local tax returns are accurate.

Auditors should avoid comments regarding the taxpayer's personal affairs, political connections or other matters which have no bearing on the foregoing points. Such comments serve no useful purpose and merely waste the time of auditors, reviewers, and others who may be required to read audit reports.

CONFIDENTIALITY OF COMMENTS 0206.06

An auditor must at all times take precautions against the disclosure, intentional or otherwise, of audit comments of a confidential nature. If the audit is based upon records of a successor or some other confidential source, care must be taken not to disclose confidential information without first consulting a supervisor.

EXTENT OF COMMENTS 0206.09

The extent of the comments will depend upon the importance of the subject matter and whether the comments are regarding some change in the status of the account. Comments should be brief yet still give complete information. The following four types of general audit comments and their acronyms, which always appear in audit reports, are as follows:

a. Type of Business Organization — (TBO)
b. Class of Business — (COB)
c. Books and Records — (B&R)
d. Franchise Tax Board — (FTB)

In addition to the above list, there are certain other comments that may be applicable:

a. Regulation 1595 (AM section 0206.42) — (COR)
b. Successor's Liability (AM section 0206.60) — (SCL)
c. Discussion with Taxpayer (AM section 0207.10) — (DWT)
d. Answers to Headquarters' Questions
e. Statute of Limitations (AM section 0205.66) — (SOL)
f. Overpayment (AM section 0206.48) — (OVR)
g. Credit Interest (AM section 0206.43) — (CRD)
h. Penalty (AM section 0206.45) — (PEN)
i. Dual Determination (AM section 0206.49) — (DUA)

j. Error in Transcript of Returns Filed (AM section 0208.63)

k. RUPA Compliance (AM section 0206.55)

l. Amnesty (AM section 0206.52) — (MS1)

m. Tax Error (AM section 0206.58) — (TER)

TYPE OF BUSINESS ORGANIZATION 0206.12

Enter the ~~type of entity~~ownership type operating the business, i.e., individual, partnership, limited liability company, corporation, or other entity. Enter the names of all owners (AM sections 0202.48
& 0202.49), partners, including their designations in the case of a limited partnership (AM sections 0202.51 & 0202.54), principal corporate officers and their titles (AM section 0202.57), and members, managers and officers of a limited liability company (0202.56).

If there is a change of ownership during the audit period and the ~~Board~~BOE has no record of such change (i.e., the incorporation of a sole proprietorship), the auditor must prepare Form BOE–406, *Notice of Close-Out*, and immediately forward the completed Form BOE–406 to District Compliance. Form BOE–406 is not normally prepared just for the addition or deletion of partners since RUPA allows for the continuation of a partnership entity in most circumstances. However, if the partnership agreement stipulates dissolution of the partnership when a partner is added or dropped, then Form BOE–406 should be prepared. See Compliance Policy and Procedures Manual, Chapter 6, "*Closeouts and Clearances*," for instructions on how to prepare this form.

AM section 0202.00 describes the procedure and importance of obtaining accurate entity and ownership information, including addresses. When conducting an audit, the auditor is responsible for verifying the address and documenting the type of ownership in the audit report, and for ensuring that the ~~Board~~BOE's records on the account are updated (AM section 0219.03).

ADDITIONAL LIABILITY DISCLOSED 0206.18

If the audit discloses additional liability for any one of the ownerships, it will be necessary to prepare a separate Form BOE–414–A for each entity liable for the additional tax, although one Form BOE–414 will suffice. Appropriate cross-references should be made on all reports. Each audit report should also include comments regarding the operations of any entities audited which did not obtain permits but have no additional liability. Where a taxpayer operates a business after filing a bankruptcy petition, two audit reports (BOE–414–A) are required, one for the period prior to bankruptcy and one for the period when the business operated under the jurisdiction of the court. The same applies in the case of a deceased taxpayer whose business is operated after the taxpayer's death.

CLASS OF BUSINESS 0206.21

Sales and Use Tax and Special Taxes accounts are populated with a six-digit North American Industry Classification System (NAICS) code. It is the taxpayer's primary business activity, not what the taxpayer sells, that predominantly determines the taxpayer's NAICS code. The primary business activity is the main activity from which the business generates the majority of its revenue and incurs most of its costs. The primary business activity may not be directly related to a taxable activity.

The auditor must verify that the taxpayer's NAICS code accurately identifies the taxpayer's

primary business activity by looking up the code in the BOE NAICS Code Generator (Generator). The first two digits of the BOE NAICS code represent the Industry Sector (Sector Code). The Generator provides the Class Description for the Sector Code. The Sector Code and the Class Description must accurately identify the taxpayer's primary business activity.

Special comments are required for the following types of business:

- Grocery Store — Beer, wine, liquor, meat, or produce departments (see AM Chapter 9, Grocers).
- Restaurant — Beer, wine, liquor, drive-in, and extent and type of take-outs (see AM Chapter 8, Bars and Restaurants).
- Construction Contractor — Lump-sum/time and material/cost plus contracts, subcontracts, and over-the-counter sales (see AM Chapter 12, *Construction Contractors*).

When a significant change in the business activity of an active account has occurred before or during the audit period or, if the NAICS Code is incorrect, the auditor must notify District Compliance as discussed in AM section 0219.03.

BOOKS AND RECORDS 0206.36

Comments regarding books and records should be limited to the records or lack of records which have a bearing on the audit procedure or the reliability of the taxpayer's figures. Comments should describe (Exhibit 1, page 4):

1. The bookkeeping system in specific terms. Less detail is required if the records are complete double entry or single entry rather than if the records are disorganized or incomplete. A comment should include any notations regarding the type of computerized systems used by the taxpayer and whether the records are maintained in-house.
2. The supporting records, unless all necessary documentation is available in which case the comment should reflect this fact.
3. The adequacy of the records for tax purposes. This information is important for application of a negligence penalty. Adequate records are the type of records maintained by a reasonable and prudent businessperson, engaged in a similar kind and size of business, used for accurate tax preparation. The records only need to be adequate for tax purposes (not other purposes, such as balance sheet preparation, profit and loss statements).
4. Whether sales tax reimbursement is included or added to the selling price of items sold.
5. If anyone other than the taxpayer prepares the records. If so, note that person's name or firm name (e.g., CPA firm, bookkeeper, etc.).
6. If the taxpayer is uncooperative in providing requested records. All actions taken should be documented, including any actions taken or not taken towards a subpoena.

FTB — FRANCHISE TAX BOARD 0206.40

Sales and U~~u~~se T~~t~~ax audit ~~reports~~ information ~~will be forwarded~~is provided to FTB when the audit includes ~~$20,000~~$100,000 or more of additional gross receipts (total sales). The auditor will add an FTB comment to the audit report indicating which tax change items represent additional gross receipts. For the purpose of this section, additional gross receipts are defined as sales included in the audit assessment but not reported on line 1

(total sales) of the Ssales and Uuse Ttax Rreturns, except exempt sales that are netted from reported total sales.. Field Billing Orders will not be forwarded to FTB.

In addition, the following types of audits will be sent to FTB even though the $20,000$100,000 or more of additional gross receipt criteria is not met:

- Jeopardy Assessments — All audits with jeopardy recommendations will be sent to FTB regardless of the type of tax change and extent of the understatement.
- No Returns Filed Accounts — Audits where the auditor had to obtain a seller's permit for the taxpayer and a failure to file penalty was assessed, will be sent to FTB regardless of the type of tax change and extent of the understatement.

Audits in this category that do not include $20,000 or more of additional gross receipts should be transmitted with one additional copy of the front and page 2 of the system-generated *Report of Field Audit*. However, it will not be necessary to attach a copy of the *Transcript of Returns Filed* (Form BOE-414), a *Gross Receipts Audit Schedule* or a *Sales Tax Summary Calculation*. See AM section 0213.03.

When the auditor recommends that an audit report be sent to FTB, the The auditor must include the following information in the FTB comment, for audits that meet the $100,000 threshold:

1. Taxpayer identification number. For sole proprietors, provide the taxpayer's Social Security Number (SSN). For corporations, provide the CA Corporation number or the Federal Employer Identification Number (FEIN) or the State Employer Identification Number (SEIN). For partnerships or limited liability companies, provide, if available, each partner's or member's SSN. In the event that none of the partners' or members' SSN is available, provide the partnership's or limited liability company's FEIN or SEIN.

   The above mentioned identification numbers may be found on income tax returns, Form BOE–400, *Application for Sellers Permit and Registration as a Retailer*, and in the registration system (TAR AI), as well as other documentation. If the auditor is unable to obtain the taxpayer's identification number, then the phrase "Unable to obtain I.D. Number" should be entered in the FTB comment.

2. Identification of which tax change item(s) included in the audit represent additional gross receipts. In order to identify which tax change item(s) represent additional gross receipts, the auditor should reference the letternumber(s) used to identify the tax change item in the "Analysis of Measure of Tax by Class of Transaction" section of the audit report.

Example: Analysis of Measure of Tax by Class of Transaction

1. Disallowed Sales for Resale	$30,000
2. Unreported Sales of Equipment	$150,000
3. Ex-Tax Purchases of Supplies	$10,000

If the auditor determines that the "Unreported Sales of Equipment" represents additional gross receipts, then the auditor would enter "Item 2 represents additional gross receipts" in the FTB comment.

ADRS will copy the digital audit case from the *Audit Archive* folder to the *FTB* folder on its J:\drive. The Data Analysis Section will then transfer the complete digital audit case folder (audit folder) to FTB once the determination is final. In the case of a reaudit that changes the original audit folder, the updated audit folder will be transferred to FTB.

In situations where the audit report will not be sent to FTB, enter the words "Not Applicable"

~~or the notation "N/A" in the FTB comment section. The FTB comment should always be the last comment in the "General Comment" section of the audit report. See Exhibit 1, page 4, for an example of a completed FTB comment.~~

~~See AM section 0213.03 for the list of documents included in the "FTB Packet."~~

In addition, the audit folder for the following types of audits will be sent to FTB even though the $100,000 or more of additional gross receipt criteria is not met:

- Jeopardy Assessments — The audit folder for audits with jeopardy recommendations will be sent to FTB regardless of the type of tax change and extent of the understatement.
- No Returns Filed Accounts — The audit folder for audits where the auditor had to obtain a seller's permit for the taxpayer and where a failure to file penalty was assessed, will be sent to FTB regardless of the type of tax change and extent of the understatement.

~~ADRS will forward the FTB packet to FTB after the audit has been billed~~For a~~A~~udits that involve jeopardy determinations or bankruptcy proceedings, the audit folder should be forwarded to FTB no later than the first working day after the audit is billed. ~~If a reaudit changes a previously submitted FTB package, an updated FTB package should be prepared.~~

In situations where the audit report will not be sent to FTB, enter the words "Not Applicable" or the notation "N/A" in the FTB comment section. The FTB comment should always be the last comment in the "General Comment" section of the audit report. See Exhibit 1, page 4, for an example of a completed FTB comment.

REGULATION 1595 COMMENTS — SALES TAX 0206.42

In the case of a close-out audit, show the additional measure of tax established as a result of the final sale of assets as a separate item in the analysis section on ~~the face~~page 2 of Form BOE–414–A. When this is done, a Regulation 1595 comment will not be required in the "General Audit Comments" ~~section~~ of Form BOE–414–A.

In all other cases, include a brief comment explaining the disposition of fixed assets and ex-tax inventory at close-out in the "General Audit Comments" ~~section~~ of Form BOE–414–A under the caption "Regulation 1595." If the taxpayer reported the sale as taxable, the comments should detail the taxpayer's method of determining the taxable measure and the reasonableness of the amount reported. This verification and comment of the correct reporting should be made even though the fixed assets were paid through escrow. If the asset disposition is exempt, the comments should include the reason for the exemption (e.g., occasional sale, resale, interstate sale, etc.)

It is important for auditors to work with District Compliance to ensure all aspects of close-out audits are performed accurately and efficiently (i.e., fixed assets and equipment, final return, disposition of inventory, and payment of liability).

CREDIT INTEREST COMMENTS 0206.43

If the auditor recommends that credit interest be allowed or denied, he or she should enter a comment regarding the recommendation. This statement applies to both refund audits and deficiency audits with credits in one or more quarters. If the credits were caused by different circumstances, the auditor may recommend that interest be allowed for some quarters and denied for others. Credit interest is not allowed for periods where a negligence

or fraud penalty is asserted (see AM sections 0217.12 – 0217.20).

PENALTY COMMENTS 0206.45

The auditor must enter a penalty comment in the "General Audit Comments" ~~section~~ of either Form BOE–414–A or Form BOE–414–B under the heading "Penalty" when a penalty is recommended or when the tax liability is $2,500 or more and no penalty is recommended. Comments should be clear and concise, explaining the rationale for the auditor's recommendation (penalty recommended and no penalty recommended). Canned comments, such as "Negligence not noted" or "No penalty recommended," should be avoided. Supervisor's comments are required for penalty comments when the tax liability is greater than $25,000. For a tax liability greater than $50,000, District Principal Auditor's comments are required.

See AM Chapter 5, *Penalties,* for general guidelines and procedures on penalties.

OVERPAYMENT COMMENTS 0206.48

If the taxpayer filed a claim for refund, the auditor must verify the claim for refund (see AM section~~s~~ 0216.00~~ – 0216.21~~) and include a comment in the "General Audit Comments" ~~section~~ of Form BOE–414–A. The comment must clearly explain why the refund should be granted or denied and must include the following information:

- The amount of tax to be refunded as established by the taxpayer.
- The amount of tax to be refunded as recommended by the auditor.
- The hours spent in verifying the claim for refund.

Below is an example of a Claim for Refund comment:

> The taxpayer filed a claim for refund for bad debts not claimed on returns. The claim as filed was for $1 or more. The documentation submitted for verification disclosed an actual claim amount of $2,135. Examination of the documentation found ~~This~~ this amount was too high because it included sales for resale.

Taxpayer's Claim:	$2,135 in tax.
Audited Claim:	$1,100 in tax.
Hours Spent in Verifying Claim:	2

AMNESTY 0206.52

In 2005, the BOE conducted a short-term sales and use tax amnesty program as provided in Revenue and Taxation Code (RTC) sections 7070 - 7078. The program allowed taxpayers to pay the tax and interest they owed for tax reporting periods that began before January 1, 2003, without paying penalties that usually apply. Taxpayers had to apply for tax amnesty between February 1, 2005 and March 31, 2005.

If an audit includes reporting periods eligible for amnesty, audit staff must make a comment on the audit report indicating whether or not the taxpayer participated in the amnesty program. If the taxpayer participated in the program, additional details regarding such participation should be provided, including:

a) Whether or not the taxpayer filed amnesty tax returns, and if so for which reporting periods.

b) Whether or not amounts reported on the amnesty returns were the same, less than, or greater than the amounts included in the audit.

c) Whether or not periods included in the audit go beyond the normal three-year audit cycle.

d) Whether or not periods were covered by a waiver that has expired.

For Notices of Determination issued on or after April 1, 2005, the amnesty penalties will apply to underreporting of tax amounts. If a taxpayer participated in amnesty, but reported less than the liability later determined, the amnesty penalties will apply to the amount of tax not reported. Audit staff must apply the double amnesty penalties on the front of the audit report. In addition, the amount of the 50 percent interest penalty should be identified in a comment made on page 3 (under "Special Instructions") or in the "General Audit Comments" ~~section~~ of Form BOE–414–A. (The AUD CA screen is used to calculate the amount of the 50 percent interest penalty.) Audit staff must disclose to the taxpayer information regarding the amnesty penalties applied to the audit liability.

RUPA COMPLIANCE 0206.55

When auditing a partnership, the auditor should provide a comment noting that the auditor has checked for a change in partners. Any changes should be reported to District Compliance as explained in AM section 0219.03.

When a partner has withdrawn from the partnership before or during the audit period, the auditor must document all evidence supporting the date of the partner's withdrawal.

For closed-out partnership accounts, the name and address of all known partners must be listed under this caption (see AM section 0202.50).

TAX ERROR ON TRANSCRIPTS OF RETURNS 0206.58

Verifying tax errors

Any tax differences on the transcript of returns represent the difference between tax computed by the return and tax reported, not the tax paid. Tax differences (errors) represent computational errors that occur below line 12, *Taxable Measure*, of the Sales and Use Tax Return. For example, if a taxpayer that manually prepares a paper return fails to enter the correct total on line 19, "Total State, County, Local, and District Tax," the difference between the amount entered and the correct amount results in a tax error. These tax errors should not be included in the audited taxable measure, but comments should be made in the "General Audit Comments" on Form BOE-414-A under the heading "Tax Error," for all errors greater than the threshold amount(s) noted below. The comments should include the period, the amount involved, and the auditor's recommendation for handling the tax error.

Threshold for large audits (D audits)

For audits designated as difficult "D," the minimum tax error for which an auditor is required to make a comment in the "General Audit Comments" on Form BOE-414-A will be based on a percentage of reported tax for each quarter. This minimum threshold will be one-tenth of a percent (0.001) of the tax reported for each quarter up to a maximum of $5,000. For tax errors greater than $5,000 per quarter in a large audit, the auditor must include a comment in the "General Audit Comments" on Form BOE-414-A.

For Example:

- A "D" audit taxpayer reported $1,500,000 in tax in 2Q12. Tax errors greater than $1,500 (1,500,000 x 0.001) for this quarter will require a comment in the "General Audit Comments" on Form BOE-414-A.

- A "D" audit taxpayer reported $9,000,000 in tax in 3Q12. Tax errors greater than $5,000 (the maximum threshold amount) for this quarter will require a comment in the "General Audit Comments" on Form BOE-414-A.

Threshold for other audits (Non D audits)

~~Tax errors represent the difference between the tax computed and the tax reported (AM section 0208.14), and should not be included in the audited taxable measure.~~ For all tax errors greater than ~~$50~~ $250 ~~in tax~~ per quarter, (regardless of the reported tax for that quarter) for both debit and credit differences, the auditor should make a comment in the "General Audit Comments" ~~section~~ of Form BOE–414–A. ~~The comment should state the period, the tax amount involved, and the auditor's recommendation for handling the error (AM section 0305.30).~~ In cases where there is a credit difference below the threshold amount, the auditor should notify the taxpayer that credit differences will not be investigated unless specifically requested by the taxpayer.

For Example:

- A taxpayer reported $20,000 in tax in 1Q12. Tax errors greater than $250 for this quarter will require a comment in the "General Audit Comments" on Form BOE-414-A.

IRIS Verification

The auditor's recommendation should result from reviewing IRIS and determining if a debit or credit tax error is valid. The following IRIS screens may be used to verify tax errors.

- APL PR can be used to verify if a tax error has already been refunded.
- DIF RM and DIF BR can be viewed for refund information.
- DIF DA or DIF DD displays whether a tax error has been billed.
- PAY BA shows the amount paid.
- REV RE screen can be used to verify if the tax error has been addressed. The reported amounts are shown on the left and if there is an unresolved computational difference, the computed amount will be shown to the right of the reported amount.

Processing Tax Errors

If the IRIS examination concludes that a tax debit difference greater than the threshold amount has not been billed, then comments should be made in the "General Audit Comments" on Form BOE-414-A requesting the Return Analysis Unit (RAU) to bill the tax difference. The comments should state the period, the tax amount involved, and the auditor's recommendation for handling the error. The Audit Determination and Refund Section (ADRS) will copy the comments and email them to RAU for billing. The email will be sent to the SUTD-RAU Electronic Maintenance Requests mailbox with the subject "Tax Error on Return [Permit Number]"

If the IRIS examination concludes that a tax credit difference greater than the threshold amount has not been refunded, then comments should be made in the "General Audit Comments" on Form BOE-414-A instructing ADRS to apply the tax credit to the audit liability or refund it if the audit is a net credit. (Note: Tax error credits may not be due if the amounts are found to be excess tax reimbursement. The auditor should verify this when examining the taxpayer's records and appropriate comments should be included.)

If, after investigation, it cannot be clearly determined how a tax error was handled, staff should contact the Billing Section of the ADRS for assistance.

SUCCESSOR'S LIABILITY 0206.60

If the account is closed out and there is a successor within the meaning of Regulation 1702, include a general comment providing the successor's name and account number. If an account number is not yet assigned, enter the comment "permit in process." If there is a subsequent operator at the same location who is not a successor within the meaning of Regulation 1702, provide an explanation in the "General Audit Comments" ~~section~~ of Form BOE–414–A. If the liability of the subsequent owner as successor is questionable, provide an explanatory comment.

EXIT CONFERENCE 0207.00

DISCUSSION OF AUDIT RESULTS 0207.02

After completion of the audit, the auditor will arrange an exit conference with the taxpayer and/or taxpayer's representative. It is strongly recommended that the auditor's field supervisor be present at every exit conference where the audit recommendation includes a fraud penalty, a tax liability in excess of $25,000 or when it is likely that the taxpayer or representative will not agree with the audit findings. With respect to field supervisors located in the out-of-state district, in lieu of making a special trip, they should discuss the audit recommendations with the taxpayer by telephone and document the results of that discussion.

When a taxpayer's representative is involved during the audit process and is representing the taxpayer at the exit conference, the auditor should encourage the taxpayer to also attend the exit conference whether or not an adjustment is necessary. This allows the taxpayer the opportunity to review the audit working papers and raise any questions about the audit at that time. It is essential that the auditor provide the taxpayer with a full explanation for all recommended differences, even though the taxpayer may have agreed to certain differences at an earlier time. The auditor should also fully discuss any penalty recommendations with the taxpayer at the exit conference. By making the taxpayer aware of all differences at the time of the exit conference, it is hoped that the number of concurred audits that are subsequently petitioned will diminish.

In special circumstances, such as receiverships, bankruptcies, assignment or probate cases, the auditor should discuss the results with the receiver, trustee, assignee, administrator, executor, etc. ~~Enter the~~The name, title and telephone number of the person with whom the discussion was held should be entered in the space provided on page 3 of Form BOE–414–A.

PREPAYMENT OF AUDIT LIABILITY 0207.04

As part of the routine audit discussion, the auditor should inform the taxpayer of the option to pay the audit liability, in part or in full, prior to the issuance of the Notice of Determination, regardless of whether the taxpayer agrees or disagrees with the audit findings. It is important that the taxpayer understands that the Notice of Determination is the official billing notice and that a prepayment of the audit liability is an advance payment on an audit not yet billed. Additionally, the auditor should inform the taxpayer regarding the statute of limitations on the filing of a claim for refund.

Since the purpose of an advance payment is to avoid additional interest charges, the taxpayer should be given accurate information regarding the normal time lapse between completion of the audit and the issuance of the Notice of Determination, and the amount of additional interest that will accrue during that period. The taxpayer should also be advised that, when payment is mailed, interest is computed through the last day of the month in which the payment is postmarked.

Auditors should caution the taxpayer that the tax liability, as of the exit conference, is the auditor's proposed recommendation for determination and should not be relied upon as representing the actual billing. In addition, auditors should inform the taxpayer of the review process and the possibility that the results may increase or decrease.[3] Auditors should never accept a payment directly from the taxpayer. Advance payments must be sent to the district office or Headquarters using *Audit Payment Information* Forms BOE–1 or BOE–1P (published on the ~~Board~~BOE's Web site) if a partial telephone billing/determination has been issued. Payments sent to Headquarters should be sent to the following address: Board of Equalization, P.O. Box 942879, Sacramento, CA 94279–0001. It is important that taxpayers do not include advance payments with their regular returns or prepayments.

Auditors should advise the taxpayer that all payments should be accompanied by an appropriate explanation of the reason for the payment. The explanation should include the taxpayer's account number, the period covered by audit, and a statement that the payment is for an audit deficiency not yet billed.

FURNISHING COPIES OF AUDIT WORKING PAPERS (AWP) 0207.05

During the discussion, the auditor must provide to the taxpayer or the taxpayer's representative a copy of all AWP. Taxpayers should be provided a digital copy of the final AWP unless the taxpayer specifically requests a paper copy. When providing a copy of the digital AWP, the auditor must redact or remove files containing confidential information such as Federal Tax Information or BOE-1164s.

The AWP include all schedules and documentation containing the facts, information, and computations upon which any additional liability, refund, or "no change" to reported liability is based. The taxpayer's copy of the AWP includes Form BOE–495, *Index To Audit Working Papers*, and all schedules that follow, including general audit comments. (see Exhibit 1~~27~~).

With respect to audit assignments where an evasion penalty is recommended, after the evasion penalty is approved by the Chief, Headquarters Operations Division, and returned to the District Office, the taxpayer or the taxpayer's representative will be provided with a copy of the memorandum requesting that an evasion penalty be imposed (see AM section 0507.75).

If a copy of the field audit report and determination is to be mailed to the representative, the auditor will enter the representative's Taxpayer Identification Number (TIN) on the face of Form BOE–414–A (Exhibit 1, page 1).

In the case of a "no change" audit, the taxpayer should be provided a copy of Form BOE–414–C, *Report of Examination of Records*, together with copies of all schedules and comments that will become part of the audit file (see Exhibit 27). Additional schedules should not be created for the sole reason of providing something to the taxpayer.

Documents that are not ~~to be~~ for released under the Information Practices Act or the Public Records Act should be excluded from the taxpayer's copy of the AWP. These documents include memos from the Legal Division marked "Attorney-Client Privilege," Confidential Operations Memos, Form BOE–1164s, ~~Form BOE–1032s~~, and any annotated letters (unless confidential data is redacted).

[3] Should the results change after the exit conference, the auditor should explain any differences, regardless of materiality, between the auditor's initial recommendation and the amount to be billed.

If at the time of the discussion the AWP are not complete, the auditor may ~~leave~~ provide ~~with~~ the taxpayer all schedules that were used in the discussion. Once the AWP are completed, the auditor should ~~either mail or deliver to~~provide the taxpayer and the taxpayer's representative a copy of the complete set of the AWP (including any previously ~~left with~~provided to the taxpayer) along with any other releasable documents listed on Form BOE–495 unless the taxpayer has specifically asked the auditor not to ~~send~~ provide certain portions of the AWP. Auditors must ensure that Form BOE–495 accurately reflects the documents ~~sent~~ given to the taxpayer. The auditor must also record accurately on Form BOE–414–Z, *Assignment* ~~*Contact*~~ *Activity History*, the date ~~in~~ on which the AWP ~~was sent~~were provided to the taxpayer, the name of the taxpayer to whom the documents were delivered, and the method of delivery of the AWP.

Original or copies of information obtained or generated during an audit that do not become a part of the AWP ("bone files") should not be retained but should either be returned to the taxpayer or destroyed.

COMPLETE DISCUSSION NECESSARY 0207.08

It is essential that the taxpayer and/or the representative be fully and accurately informed by personal discussion of the audit findings. This is required for three reasons:

1) The taxpayer must be afforded every reasonable opportunity to present all evidence which might result in a change or modification of audit recommendations;
2) More accurate returns for future periods may be expected if taxpayers are properly advised of the provisions of the laws and regulations; and
3) A clear understanding by the taxpayer of audit adjustments will minimize petition cases.

RESULTS OF DISCUSSION OF AUDIT FINDINGS 0207.10

When a taxpayer disagrees with any portion of the audit findings, a "Discussion with Taxpayer" comment must be entered in the "General Audit Comments" ~~section~~ of Form BOE–414–A. The "Discussion with Taxpayer" comment will list and explain in clear, complete, and concise detail each item and dollar amount in the audit with which the taxpayer disagrees and agrees. Each item is numerically keyed to the analysis of measure section of the audit report. The report will clearly detail the reasons or facts that the taxpayer contends supports the taxpayer's position, the reasons or facts that the auditor believes supports his/her position, and any additional comments added by the supervisors. Comments should not deal in generalities or suppositions, but should be a clear presentation of opposing viewpoints, leaving no doubt as to the basis for disagreement. The field supervisor will review the report of discussion and approve the auditor's explanation of the non-concurrence. Whenever appropriate, the field supervisor will contact the taxpayer for further discussion. Taxpayers will be provided a copy of the "Discussion with Taxpayer" comments. (See Exhibit 1, page ~~5~~4.)

This report will be prepared in the same manner for Field Billing Orders, titled "Results of Discussion of Field Billing Orders."

COPY OF REPORT OF FIELD AUDIT TO BE FURNISHED TO TAXPAYER 0207.12

In all instances where an audit report recommends a tax change, a system-generated~~,~~ audit report will be furnished to the taxpayer. In addition, a copy of the audit report will be provided to the taxpayer's representative.

The front side of the report provided to the taxpayer should be completed~~,~~ and will include an analysis and description of items comprising the change in the measure of tax. When necessary, supplemental pages should be attached.

When a field audit discloses that tax liability has been reported in excess of the correct amount, the taxpayer should be informed in the same manner as in the case of a deficiency. A claim for refund (Form BOE–101) should be secured from the taxpayer (AM section 0205.43) for consideration by the ~~Board~~BOE whenever an overpayment has occurred.

10-DAY DISTRICT OFFICE DISCUSSION 0207.20

The "10-day" district office discussion is the taxpayer's next step following the exit conference if there are any remaining disputed items. It is initiated by the taxpayer's response to Form BOE-79-A, an audit transmittal letter that allows a taxpayer who does not concur with the audit recommendation "10 days" to respond and arrange for a discussion of the non-concurred items. In the case of an FBO, the office discussion is initiated by the taxpayer's response to Form BOE-235-A, an FBO transmittal letter that allows a taxpayer who does not agree with the billing order recommendation "10 days" to respond and arrange for a discussion of the items. It is the District Principal Auditor's (DPA) responsibility to hold the 10-day office discussion. However, the DPA may designate someone, other than the exit conference supervisor, to hold the discussion.

A completed Form BOE-836-A, *Report of Office Discussion*, is required for all non-concurred audits, field billing orders, and telephone billings for which a 10-day discussion is held. Form BOE-836-A must document any adjustments to the audit as a result of the 10-day discussion, as well as any items for which the taxpayer is still in disagreement. The DPA must approve and sign Form BOE-836-A in all cases. The completed form must be included in the *Forms* subfolder of the audit case folder. ~~audit report as outlined on Form BOE-1161, *Audit Arrangement Sheet* (Exhibit 27).~~

The DPA or designee must attempt to contact the taxpayer by telephone to schedule a district office discussion if the taxpayer fails to respond to Form BOE-79-A, Form BOE-235-A or when a telephone billing is needed to protect the statute of limitations of a completed audit. The DPA or designee's efforts to make contact with the taxpayer should be clearly documented in the auditor's "Discussion with Taxpayer" comment in the "General Audit Comments" ~~section~~ of Form BOE–414–A or BOE-414-B and Form BOE-414-Z.

FORM BOE–414-M, TRANSCRIPT OF RETURNS FILED 0208.00

GENERAL 0208.03

Form BOE–414-M, *Transcript of Returns Filed — Sales and Use Tax* ((Exhibit 43)), serves as a starting point of the sales tax audit. The district audit staff must print this form from IRIS (AUD TR) prior to downloading an electronic version using the File Transfer Protocol Program (BOE FTP). (See AM section 0208.05). The periods on a system-generated Form BOE–414-M are dependent on the audit period. If periods have expired or the audit period on the system is incorrect, as identified on AUD MC, the period will have to be modified prior to printing Form BOE–414-M.

VALIDATION OF FORM BOE–414-M 0208.04

The district audit staff will validate returns in IRIS with information available in the file primarily for recovery group code A and B. Once the returns are validated, the audit staff will place a comment in the Audit Subsystem (AUD MC) indicating that the returns were validated. The audit staff may also add any special comments, such as "could not validate return for 4th quarter." Whether a return needs to be validated (other than A and B) is entirely dependent on the judgment of the audit staff.

Not all returns need validation. Examples of returns that may not require validation are as follows: (1) where the taxpayer's returns do not appear to have any problems or errors; (2) where the taxpayer has not made any refund claims; (3) where no additional determination has been issued for the period under audit; or (4) where no modified returns have been filed.

ELECTRONIC DOWNLOAD 0208.05

After a transcript is printed from IRIS, an auditor may download an electronic version of the transcript by going into the Board of Equalization File Transfer Protocol Program (BOE FTP). The BOE FTP program transfers a text file containing taxpayer transcript data from IRIS to the auditor's local computer. Excel programming converts and assembles this data into Excel worksheets containing the taxpayer transcripts for the audit period. If there is a local tax allocation, the auditor is provided with two file names, one to download the transcript without the local tax allocation and one to download the local tax transcript. Auditors must do a separate download for local tax. Step-by-step instructions for the download of the transcript and conversion into Excel format are available. Questions regarding the conversion process should be directed to the district PC coordinator.

The principal advantage of an electronic download of returns is that figures can be directly linked to the audit worksheets without having to manually transcribe them from a hardcopy. There are obvious benefits for using the electronic version for large audits, and audits with several deductions, multiple transit districts, and local tax (see Exhibit 63).

AUDIT MADE BY 0208.06

Enter the name of the field auditor making the audit in this section. If more than one auditor is working on the audit, it is only necessary to show the name of the auditor in charge of the audit since the names of the other auditors will appear on page 3 of Form BOE–414–A.

TOTAL SALES, EXTAX PURCHASES, AND DEDUCTIONS 0208.08

The figures shown on Form BOE–414-M are reported amounts, adjusted to reflect any subsequent tax increase or decrease as a result of billings or refunds, errors on returns, and amended returns. Adjusted figures will be keyed to an appropriate explanation below the totals on the front side of Form BOE–414-M.

SCHEDULE OF DEDUCTIONS 0208.09

The schedule of deductions ~~prints~~ downloaded via the BOE FTP (414-M-1) ~~on a page~~is titled "BOE-414-M Schedule of Deductions." See Exhibit 3, page 2. ~~Only the summary of the total deductions will be shown on Form BOE-414, page 1.~~

~~DISTRICT TAX~~STJ SCHEDULES 0208.10

The ~~district tax~~STJ schedule ~~prints~~ downloaded via the BOE FTP (414-M-2) ~~on a~~is titled "~~Transit Tax~~BOE-414-M STJ Schedules." See Exhibit 3, Page 3. ~~Only the summary of the district taxes reported will be shown on Form BOE-414, page 1.~~

SCHEDULE "G" FOR GASOLINE SELLERS 0208.12

For accounts where the taxpayer makes retail sales of gasoline, a schedule G will print out with Form BOE–414-M. This schedule is a summary of the amounts on schedule G of the sales and use tax return.

The amount appearing on this schedule under the column headed "TAX PD ON FUEL — G3" is shown in total only. If a detailed listing of the vendors used by the taxpayer is needed, the auditor can print an SG Reconciliation Adhoc Report from IRIS (REV FR). This report is a reconciliation schedule between the tax prepaid to vendors and the prepaid tax claimed by the taxpayer. Gasoline and diesel fuel sales tax prepay rates are found on the BOE's webpage at http://www.boe.ca.gov/sutax/prepayrates.htm ~~listed in Exhibit 22~~.

~~NET~~ TAXABLE ~~AMOUNT~~TRANSACTIONS 0208.13

The amounts shown as "~~Net~~ Taxable ~~Amount~~Transactions" will always be the computed amount based on the reported or adjusted figures entered in the preceding columns.

TAX ERROR 0208.14

Tax errors (differences) result when the tax computed by applying the applicable tax rate to the "~~Net Taxable Amount~~Taxable Transactions" differs from the amount of tax reported (AM section 0206.58).

CREDIT FOR TAX PAID TO OTHER JURISDICTIONS (RTC SECTION 6406 CREDIT) 0208.15

A credit for sales and use tax paid to other states or political subdivisions is available under RTC section 6406. Form BOE–414-M will show the credit claimed as a footnote using the caption "RTC Section 6406 Tax Credit." See AM section 0203.16 for treatment of RTC section 6406 tax credit differences on the audit report.

DELINQUENT RETURNS FOR PERIODS INCLUDED IN AUDIT 0208.17

BOE's general policy is to encourage taxpayers to voluntarily file any delinquent sales and use tax returns before an audit is completed. When the taxpayer files a delinquent return for reporting periods included in an audit, the following procedures apply:

- If the return is received *after* the determination is issued, any remittance made is considered a payment on account. No adjustment to the audit should be made.

- If the return is received *before* the determination is issued, the electronic transcript of returns and the AWPs shall be updated to reflect the amounts the taxpayer has reported on the return.

Penalties

A ten percent penalty for failure to file a timely return will be assessed and applied to any delinquent periods included in the audit. In some situations a taxpayer may file a return prior to the issuance of the notice of determination. When this occurs, the penalty for failure to file a return and any tax reported on the return will be removed from the audit assessment. Staff may still consider whether a penalty for negligence in preparing returns is warranted to be included in the audit. IRIS will automatically assess a ten percent penalty for any return(s) filed late and/or paid after the due date of the return. Audit staff should not try to obtain zero returns to clear delinquencies or to allow the taxpayer to avoid a failure to file penalty.

Delinquent returns for periods included in Sales and Use Tax Department (SUTD) audits are returned by the Audit Determination and Refund Coordination Unit in ADRS to the respective District office for correction; delinquent returns for periods included in Special Taxes and Fees Division audits are handled by the Appeals and Data Analysis Branch in the Special Taxes Audit and Carrier Division.

Lead Source Report – Delinquent Returns Filed During an Audit

The Lead Source Subsystem in BOE's Integrated Revenue Information System (IRIS) tracks the results of special programs and pilot projects undertaken by BOE. The Lead Source Subsystem is comprised of Lead Source and Lead Source Sub-types that enable the BOE to capture and identify revenue and payments resulting from a specific program or project. This is accomplished by attaching a Lead Source and Lead Source Sub-type to an account or a Financial Obligation (FO) in IRIS. By doing so, reports reflecting revenue and payment information related to a specific program or project can be generated.

In order to capture return information as revenue generated from the audit program, a new Lead Source Report code (LSR) has been established for delinquent returns filed during an audit. The new LSR, *ADQ – Delinquent Return – Result of Audit*, should be used when a taxpayer files delinquent return(s) during the audit process. The auditor should contact the District Compliance staff, as designated by the District Administrator, to have compliance apply the LSR.

WHOLE-DOLLAR AMOUNTS 0208.21

Each item on a return, except for the tax amount, will be entered on Form BOE–414-M at the nearest whole-dollar amount. Resultant variances in the amount of tax so computed and the amount actually paid will be ignored unless the difference is 50¢ or more. A difference of 50¢ or more will indicate an error in preparing the return not associated with use of whole-dollar amounts. Such differences in tax will be shown in the "Tax Error" column (AM section 0206.58).

EXCESS OF DEDUCTIONS OVER GROSS SALES AND PURCHASES SUBJECT TO USE TAX 0208.24

Occasionally, returns are filed where the total ~~deductions~~ Nontaxable Transactions exceed the ~~total~~ Gross sales, resulting in a negative ~~net taxable~~taxable transactions amount, as for example, where large deductions are taken for returned merchandise sold in a prior period. Form BOE–414-M will show credit amounts in the "~~Net Taxable Amount~~Taxable Transactions" and "~~Tax Due~~Total Tax" columns reflecting entries on the return as shown in the following example:

~~TOTAL SALES~~ GROSS SALES	~~EXTAX PURCHASES~~	~~RETURNED MERCHANDISE~~ NONTAXABLE TRANSACTIONS	~~NET TAXABLE AMOUNT~~ TAXABLE TRANSACTIONS	~~TAX DUE~~ TOTAL TAX
55~~0~~0	~~50~~	100~~00~~	–450	–22.50

If a refund has not been issued for the return filed, the auditor should treat the return as if $0 was filed and include any and all debits and/or credits in the audit.

WHERE RETURNS ARE NOT AVAILABLE, INCOMPLETE OR UNDECIPHERABLE 0208.33

If any return is not available, incomplete, or undecipherable at the time Form BOE–414-M is ~~prepared~~downloaded from IRIS, enter the amount of tax paid as disclosed by the return or the return payment record in the "~~Tax Due~~Total Tax" column of Form BOE–414-M. Calculate "~~Total~~ Gross Sales" and "~~Net~~ Taxable ~~Amount~~Transactions" based on the amount of tax paid. Place an appropriate symbol ~~in red pencil~~ in front of the calculated measure and key it to an explanation. The amount of tax paid as disclosed by the return payment record may include delinquency charges. The payment of delinquency charges results in Headquarters overstating the "~~net~~ taxable ~~amount~~transactions" and "total tax ~~due~~." In such cases, the auditor should ascertain the amounts reported and tax paid from the taxpayer's records.

ACCOUNTS ON MONTHLY REPORTING BASIS 0208.39

When Form BOE–414-M is prepared for a sales tax account on a monthly reporting basis, the detail will be shown by month with subtotals for each quarter.

RETURN OF FORM BOE–414-M ON OUT-OF-STATE ACCOUNTS 0208.42

If an investigation discloses that the principal accounting office is not located in California, the district office will not attempt to conduct the audit, secure the records from out-of-state, or correspond with out-of-state representatives of the taxpayer regarding the audit unless requested to do so by Headquarters. The audit will be transferred to the out-of-state office. Once the OMA is changed on the AUD MC screen, the out-of-state office will be able to print a transcript of the return.

ERRORS 0208.57

If errors are noted in Form BOE–414-M, the field auditor should highlight~~line out~~ the incorrect figures and ~~insert the correct ones~~key it to an explanation. If it is not practical to use the form ~~as corrected~~with the highlighted error notations, the auditor should prepare

a new one. The original Form BOE–414-M should be marked "superseded" and retained with the audit ~~work~~working papers. Auditors can have corrections made on the system and download a corrected Form BOE–414-M. The correction and its source must be clearly identified.

WHERE ERRORS ARE CORRECTED 0208.60

In certain other cases, where it is necessary to correct an obvious error that does not affect the amount of tax reported, ~~a symbol in red pencil should be placed in front of~~highlight the item itself with an appropriate explanation.

CHANGES BY DISTRICT OFFICES 0208.63

District offices will never ~~erase~~ delete any figures on Form BOE–414-M. However, auditors can ~~line out~~highlight the incorrect figures on Form BOE–414-M and ~~write in~~key it to an explanation with the correct figures. When the auditor uploads the report, the correct figures will be entered in the system. (Note: this will not delete the incorrect figures, but it will provide the correct figures for audit purposes.) Auditors should place a comment in the "General Audit Comments" ~~section~~ of Form BOE–414–A, under the caption "Error on Transcript of Return Filed" as follows:

> Auditor examined actual returns and noted errors on BOE–414-M. Errors were corrected on Form BOE–414-M. See Form BOE–414-M and AUD MC comments for specific changes to the Transcript of Return Filed.

Auditors should make a detailed comment for each change made on Form BOE–414-M in the Audit Subsystem (AUD MC). This comment in the Audit Subsystem will assist people that review this account information as Form BOE–414-M stays with the audit.

EXPIRED PERIODS 0208.66

There should be no expired periods since the audit period will be modified to reflect the current audit period prior to printing the return in the system.

WRONG CLASSIFICATIONS OF DEDUCTIONS 0208.69

If a taxpayer has erroneously classified a deduction on a return, strikethrough the erroneously classified amount ~~should be crossed out (not erased)~~ and ~~inserted~~ place it in the proper column.

UNAPPLIED SALES TAX PREPAYMENTS 0208.83

Taxpayers who make prepayments may fail to take a credit for the prepayment on the regular quarterly return. Once each quarter, the revenue system matches the prepayments on an account to the quarterly return and prepares a list of unmatched items. Return Analysis Unit reviews these unmatched prepayments and takes action to clear them. See AM section 0203.15 on how to handle unmatched prepayments in audits.

LOCAL SALES AND USE TAX AUDITS 0209.00

GENERAL 0209.03

The ~~Board~~BOE has entered into contracts with counties and the incorporated cities therein to administer the Bradley-Burns Uniform Local Sales and Use Tax Law. Permittees in conforming taxing jurisdictions will file combined state and local tax returns with the ~~Board~~BOE.

FORM BOE–414–L AUDITOR'S WORK SHEET LOCAL TAX ALLOCATION 0209.06

Auditors will prepare Form BOE–414–L (Exhibit ~~5~~4), when required, in conjunction with Form BOE–414–A. Auditor's may download an electronic version of the local tax transcript by going into the Board of Equalization File Transfer Protocol Program (BOE FTP). (See AM section 0208.05).~~Form BOE–414–L will print along with BOE–414 if the taxpayer's return shows that the local tax has been allocated to two or more jurisdictions.~~ The field auditor will prepare Form BOE–414–L, when needed, in connection with audits initiated in the field.

LOCAL TAX REALLOCATION 0209.08

A traditional Form BOE 414-L *must be used* if an audit requires a local tax reallocation (as generally indicated in Section II, *Correct Allocation*, of Form BOE 414-L). An Excel version of the traditional BOE 414-L is the *preferred format*. However, auditors may use the other two versions of Form BOE 414-L as listed in AM section 0209.24. All versions should be saved in a subfolder named BOE-414-L located in the, *Forms* subfolder of the audit case folder. The form should be named "district_audit case #_taxpayer name_BOE 414L".

LOCAL TAXING JURISDICTIONS 0209.09

List the local taxing jurisdictions horizontally across the top of the form using one column for each jurisdiction. The name of the jurisdiction may be abbreviated if necessary. Also list the first five digits of the area code for each jurisdiction as well as the symbols UA (Unincorporated Area — code 998) and CW (County Wide — code 999), where applicable.

If a redevelopment agency is involved, list the four-digit "In-Lieu" code along with the appropriate abbreviation.

The form on the system provides space for five taxing jurisdictions.

LOCAL TAX REPORTED 0209.12

List by period the amounts reported by the taxpayer, in whole dollars, under the appropriate taxing jurisdictions. Normally, the entire audit period will be listed on the transcript. However, reallocations are usually restricted to three quarters to conform to the limitation provisions of the law (see AM section 0209.18 and RTC section 7209). If Headquarters has prior knowledge of an improper distribution, the ADRS — Allocation ~~Group or the Local Revenue Allocation Section~~and Summary Unit will contact the district office with information regarding the periods to be reallocated. Transcripts of earlier returns will be furnished upon request when districts have prior knowledge of erroneous distribution.

AREA CODE 0209.15

In either a reallocation or an assessment, the tax area code(s) must reflect the period(s) of the audit, taking into account city incorporations, annexations and/or taxpayer location moves during the audit period. For example, the tax area code for the City of Elk Grove (34013) is effective for periods after and including October 1, 2000. Prior to October 1, 2000, the area now incorporated as Elk Grove was in the unincorporated area of Sacramento County (tax area code 34998). Therefore, any reallocations or assessments for periods prior to October 1, 2000, in what is now within the city limits of Elk Grove, should be allocated to the unincorporated area of Sacramento County.

The effective date of a local tax area code can be found on the FUN FD screen. Enter "LOC" in the Fund Type field and the tax area code in question in the Fund Code field.

DATES DETERMINING REALLOCATION 0209.18

Enter the commencing date of the reallocation, the date that first knowledge of improper distribution was obtained, and the source of that knowledge into the appropriate spaces. The dates will be determined in accordance with RTC section 7209. Therefore, if the knowledge of improper distribution is obtained when an audit is started, the auditor will reallocate the tax for the two preceding funding periods, which usually includes the preceding three quarterly periods, but can extend to periods before that time, based on when the local tax funded to the jurisdiction(s). For example, if the first knowledge of improper distribution is obtained 10/06/~~2006~~ 2010 (4Q–~~2006~~2010), the auditor would commence reallocation from 01/01/~~2006~~ 2010 (1Q–~~2006~~2010) through the end of the audit period.

REASONS FOR REALLOCATION 0209.20

Provide a complete explanation of the basis for any reallocation adjustments in the space provided (see Exhibit ~~5~~4). Since the ADRS — Allocation ~~Group~~ and Summary Unit must monitor and make corrections to subsequent returns, it is important to have a complete explanation of the original errors disclosed in the audit. This explanation provides the ADRS — Allocation ~~Group~~ and Summary Unit with the information necessary to advise the taxpayer how to revise subsequent incorrect returns and how to properly report in the future.

REALLOCATION OF REPORTED LOCAL TAX 0209.21

Errors made by a taxpayer in local tax allocation will be adjusted only if the amount involved is sufficient to justify the audit time required to do so. Such adjustments will cover the period from the commencing date of the reallocation, referred to in AM section 0209.18, through the last period covered by the audit. In the interest of good tax administration, the auditor should provide to the taxpayer proper allocation instructions for future reporting.

To maintain an accurate return allocation history, it is necessary to segregate any allocation adjustments by quarter. The "Analysis of Adjustments" section (Part II) of Form BOE–414–L has a separate line for each quarter being adjusted. Provide only the correct allocation for each jurisdiction (see Exhibit ~~7~~5).

When there is a material reallocation that may significantly delay the completion of the audit, ADRS —Allocation ~~Group~~ and Summary Unit should be contacted for instructions regarding possible early transmittal of Form BOE–414–L. If ADRS — Allocation ~~Group~~ and Summary Unit requests Form BOE–414–L to be sent to Headquarters before the audit is completed, the auditor will send a photocopy of the form with the reallocation of the reported amounts to the ADRS— Allocation ~~Group~~and Summary Unit. Upon completion of the audit, the original Form BOE–414–L will be transmitted to Headquarters along with the audit report with the following notation at the bottom of the face of Form BOE–414–L:

> "Copy of Form BOE–414–L sent to Audit Determination and Refund Section — Allocation ~~Group~~ and Summary Unit … (Date) … with reallocation of reported amounts."

Where a "no change" audit discloses an understatement of state tax and an overpayment of local tax, or vice versa, resulting in a net change of over $25, place a notation of this fact on the front of Form BOE–414–C. Then, prepare Form BOE–414–L and attach it to the report to reallocate local tax between jurisdictions as appropriate.

ALLOCATION OF TAX CHANGE RECOMMENDED BY AUDIT 0209.24

The general rule for allocating tax change recommended by audit is to prorate it to local jurisdictions in the same ratios as reported by the taxpayer for the twelve quarter summary provided on Form BOE–414–L, section I. It is not necessary to update Form BOE–414–L to reflect the last three quarters of the audit period. If, however, the date of knowledge is such that the commencing date of reallocation is for earlier periods, all periods subsequent to that date will be used to compute the ratios to prorate. Form BOE–414–L, prepared in the field, will continue to reflect the last twelve quarters of the audit period.

Allocation on an actual basis is required in those instances, such as transactions of a non-recurrent nature, where the jurisdiction in which the taxable event occurred can be readily and definitely ascertained.

The field auditor should enter the local tax that is to be allocated on a percentage basis in the vertical "total" column only. Tax to be allocated on an actual basis will be entered in the "total" column and also in the columns set up for particular jurisdictions. Headquarters will complete the processing from this point.

Worksheet, 414-L, page 3 (BOE Audit Program)

Use of the electronic 414L page 3 worksheet (Exhibit 5, page 1) in the BOE Audit Program is the **preferred form** for audits **only** requiring a local tax allocation based on audit findings (as generally indicated in Section III, *Allocation of Tax Change per Audit*, of Form BOE-414-L). Use of this worksheet saves time by providing familiar pull-down lists to select proper taxing jurisdictions. Auditors should click on the 414L Pg. 3 button under the Template Menu in Excel and complete the 414L Pg. 3. This worksheet remains in the audit working papers.

Auditors should then click on the "Create Local Tax Summary" button located at the top of the worksheet. A new Excel workbook (Exhibit 5, page 2) will be created that includes the local tax summary. This workbook should be saved in Excel format in a subfolder named *BOE 414L* located in the *Forms* subfolder. The workbook should be named:

> "District_audit case #_taxpayer name_BOE 414L"

There is no need to attach any other forms. If an allocation is made on a percentage basis, there is no need to attach the copy of the BOE-414-L that is printed with the transcripts that shows the reported totals for the audit period.

Auditors may use the other versions of the BOE-414-L if they choose. This includes:

- An Excel version of the traditional BOE-414-L (2nd preferred format).
- The PDF version of the traditional BOE-414-L located on eBOE.
- The printed version of the BOE-414-L that is printed with the transcripts from the AUD TR screen in IRIS. This form requires the auditor to hand-write in the local tax allocation and scan the document as a PDF. (3rd preferred format)

All versions should be saved in a subfolder named BOE414L located in the *Forms* subfolder. The form should be named "district_audit case #_taxpayer name_BOE 414L".

FORM BOE–414–B, FIELD BILLING ORDER 0210.00

FORM BOE–414–B ILLUSTRATED 0210.03

Exhibit~~s~~ ~~8~~ 6 ~~and 9~~ pages 1 through 4 illustrate a completed Form BOE–414–B. Whenever Form BOE–414–B is used, a minimum of three copies will be printed in the system. One copy is distributed to Headquarters. The front page of the other copies is distributed to the taxpayer and the district file.

TRANSMITTAL FORM LETTERS 0210.04

In all instances where a copy of the field billing order is mailed to the taxpayer, the auditor will use one of the forms listed below as a letter of transmittal except when the auditor may need to draft a special letter (AM section 0205.38) to meet the situation. The various transmittal form letters for use in field billing orders are listed below and in Exhibit ~~24~~20. Always enter the appropriate form number ~~in the space~~using the drop down menu provided on page 3 of Form BOE–414–B.

- Form BOE–235–A when the taxpayer does not concur with the report of field billing order and it is anticipated that an office discussion will be held. (see AM section 0207.20)
- Form BOE–235–B when the taxpayer does not concur with the report.
- Form BOE–235–B1 when the taxpayer is noncommittal or unavailable, and when the field billing order will be transmitted to Headquarters without further discussion with the taxpayer.
- Form BOE–235–C when the taxpayer concurs with the recommended determination. If the discussion is with someone other than the taxpayer, enter an asterisk in the last sentence of the first paragraph, and enter the name of the taxpayer's representative in the lower portion of the letter.
- Form BOE–235–D when the taxpayer concurs with the recommended refund. When the situation requires, a special transmittal letter is prepared (see AM 0205.38).

EXAMPLES OF USE OF FIELD BILLING ORDERS 0210.06

Field billing orders are used as follows:

(a) In lieu of tax returns, where liability is disclosed for a period(s) prior to the taxpayer's application for a permit or license and it is impossible or impractical to secure returns.

(b) To recommend additional liability or refund disclosed as the result of investigation.

(c) To recommend use tax liability owed by a person not registered with the ~~Board~~BOE.

(d) When a survey of the account indicates an audit is not warranted, but liability is disclosed.

PREPARATION OF FORM BOE–414–B 0210.09

Form BOE–414–B is similar, in part, to Form BOE–414–A. The instructions given for the preparation of Forms BOE–414–A are to be used when applicable to similar items on Form BOE–414–B.

FURNISHING OF COPY OF FIELD BILLING ORDER TO DISTRICT OF ACCOUNT 0210.10

Ordinarily, a field billing order is prepared only by the district of control for audit purposes. If the district of control for audit purposes is different than the district of account, a copy of the field billing order must be forwarded to the district of account at the same time the field billing order is forwarded to the taxpayer.

GENERAL COMMENTS 0210.12

Comments covering the following should be entered in the "General Comments"~~ section~~:

(a) Description of the business.

(b) Explanation of the tax change.

(c) Underground Storage Tank – include the following information if available:

- **UST Maintenance Storage Fee account number(s) of the tank owners
- **Address where the tank is located.
- Tank owner's name, address and phone number.
- Other information that may identify or locate tank owners.

** NOTE: Provide no more than five (5) account numbers and addresses and only for principal locations.

COMPUTATION OF TAX, INTEREST, PENALTY 0210.18

Use the ~~Board~~BOE's computer system to compute tax, interest, and/or penalties. Attach the Summary by Period schedule to all copies of Form BOE–414–B except the copy sent to the taxpayer (AM sections 0217.00 — 0217.20).

~~ARRANGEMENT OF COMPLETED AUDIT REPORT~~ AUDIT PROCESSING AND ARCHIVING 0213.00

FORMS AND WORKING PAPERS 0213.03

Upon completion of the audit assignment, it is the auditor's responsibility to ensure all file naming conventions are correct and all files are placed in the appropriate folder prior to submitting the audit for review. In addition, all hyperlinks should be tested and verified to be properly working prior to submitting the audit for review.

When the audit is complete, the auditor initiates an email approval chain in Outlook (see AM Section 0213.06). The auditor transfers the completed audit folder by cutting and pasting the audit folder from the *My Audits* folder to the *Audit Control Inbox* folder on the J:\ drive and deletes all empty folders.

Submit paper copies of the following documents when turning in an audit:

- BOE-101 – Claim for Refund saved to district file
- BOE-122 – Waiver saved to district file
- BOE-392 – Power of Attorney saved to district file[1]
- BOE-1296/BOE-80 RU – Account Update Information routed to Compliance (only if an electronic version is not routed to Compliance)

EMAIL APPROVAL CHAIN 0213.06

When the audit is complete, the auditor initiates an **email approval chain** in Outlook.

- The email approval chain is used in lieu of signing the paper audit.
- It is recommended the subject line be formatted as follows:

  "Audit Completed Status Case ID Taxpayer Name "

  - Audit Completed 54321 Joe's Distributing
  - Audit Completed **Statute** 54321 Joe's Distributing
  - Audit Completed **Aged** 54321 Joe's Distributing
  - Field Waiver Completed 543211 Joe's Distributing Statute Date
  - No Change Completed 543211 Joe's Distributing
- This format allows the use of Outlook rules to automatically route emails to designated folders in the Outlook inbox. District offices may use different subject line naming conventions; however, it is recommended that all staff within an office use the same subject lines.
- The email will be forwarded to the next participant in the process when it is ready. (i.e. from Supervisor to Audit Control, from Audit Control to Reviewer, etc.)

[1] Send the original power of attorney documents to the Taxpayer Records Unit (MIC 36) to be scanned into Documentum.

- Under no circumstances should formal or informal go-back comments be addressed on the email approval chain.

~~the auditor will arrange the documents constituting the field audit report according to Form BOE-1161, *Audit Arrangement Sheet* (Exhibit 27), and will fasten the documents together at the upper left-hand corner of the documents.~~

SUPERVISOR REVIEW ~~0213.09~~

When the audit is complete, the auditor initiates an email approval chain in Outlook to notify the supervisor the audit is ready for review. ~~the~~ The auditor's supervisor reviews ~~will then submit~~ the completed field audit report that is in the Audit Control Inbox folder on the J:\drive. ~~to the auditor's supervisor.~~ The pre-review of audit reports by the supervising auditor is limited to: (a) over-all check for completeness and proper arrangement of audit working papers and (b) sufficient review of pertinent working papers to e~~i~~nsure that the field auditor has followed instructions regarding special or unusual problems in the audit and (c) review of the audit comments to ensure that the comments adequately describe the situations involved in the audit.

If comments are needed on audit schedules, the supervisor creates a text box on the schedule. The comments are preceded by the supervisor's initials and role (for example "KLZ - Supervisor"). *Report of Discussion* comments and penalty comments are added to the *General Comments* word document on the 414-A in Start21.

If the supervisor approves the audit, he or she should indicate this on the email approval chain and forward it to Audit Control, notifying them the audit is ready to be processed. This approval email is in-lieu of signing the 414-A, 414-C, Field Waiver, or Office Waiver.

If the audit is not approved and needs to go back to the auditor for correction, the supervisor transfers the audit case folder from the Audit Control Inbox folder to the auditor's go-back folder and replies to the email approval chain stating the audit is not approved. Specific instructions or comments regarding the audit should be addressed in a separate email or on the BOE-414-Z.

GO-BACKS FROM SUPERVISORS

When the auditor receives a go-back from the supervisor, the supervisor places the audit in the auditor's "J:\Drive Audit Go-Back Folder." Auditors MUST use the audit case folder and files stored in the Go-~~-~~Back Folder to make corrections. Auditors must not use any other files resident on their computer drives to make corrections.

The auditor will cut and paste the audit from the Go~~-~~-Back Folder to the auditor's "C:\Drive My Audits" folder to make necessary corrections. After making corrections, the auditor will cut and paste the audit file back to the "J:\Audit Control Inbox folder." Once pasted, the auditor will initiate an Email Approval Chain to supervisor.

Once the report has been approved by the supervisor, ~~the~~ district Audit Control staff ~~will~~ performs the upload process and ~~verification~~ electronically verifies the ~~of~~ mathematical accuracy of the working papers using Excel. For tick-marks in Excel, Audit Control staff can use the right-click→Insert Comments feature to indicate a formula or calculation has been verified. This places a comment box with staff's name. No other comments are required. The field audit report will then be reviewed by a district audit reviewer.

GO-BACK FROM DISTRICT AUDIT REVIEWER

When the auditor receives a go-back from the reviewer, the reviewer places the audit in the auditor's "J:\Drive Audit Go-Back Folder." Auditors MUST use the audit case folder and files stored in the Go-~~-~~Back Folder to make corrections. Auditors must not use any other files resident on their computer drives to make corrections.

The auditor places superseded audit working papers in the *Superseded Schedules* subfolder in the audit case folder (see AM section 0302.00 for procedures). Once the go-back corrections are completed, the auditor cuts and pastes the audit file back to the "J:\Audit Control Inbox Folder."

The auditor uses the Email Approval Chain to notify the supervisor that the audit is ready for review. The audit will go through the normal supervisor go-back review and Audit Control will electronically verify the mathematical accuracy of the new schedules using Excel. For tick-marks in Excel, Audit Control staff can use the right-click→Insert Comments feature to indicate a formula or calculation has been verified. This places a comment box with staff's name. No other comments are required.

DISTRICT PRINCIPAL AUDITOR

The District Principal Auditor (DPA) will be notified of audits pending approval via the email approval chain. Audits will be located in the Audit Control inbox folder on the J:\drive.

If the DPA approves the audit, he or she should indicate this on the email approval chain and forward it to Audit Control, notifying them the audit is ready to be processed. This approval email is in-lieu of signing the 414-A.

If the audit is not approved and needs to go back to the auditor or supervisor for correction, the District Principal Auditor will transfer the audit case folder to the auditor's Go-Back folder and reply to the email approval chain stating the audit is not approved. Specific instructions and comments regarding the audit should be addressed in a separate email or on the BOE-414-Z.

~~Audit working papers superseded prior to submitting the audit for review will be included at the back of the audit packet. Working papers superseded as a result of a go-back from review will be included behind the go-back sheet.~~

~~After approval by the reviewer, the District Audit Control staff will break down the report into three basic components:~~

1. ~~"Taxpayer Packet," which contains the forms and documents that will be mailed to the taxpayer.~~
2. ~~"Headquarters Packet," which contains the forms and documents to be sent to the Audit Determination and Refund Section (ADRS) in Headquarters for appropriate processing and distribution. This packet must contain the original documents (when available).~~
3. ~~"Audit Packet," which will be retained in the district.~~

~~The arrangement of the documents for each of these packets will be as follows:~~

~~AUDIT CONTROL~~

~~Audit Arrangement for Audit, Reaudit and FBO~~

~~Form #~~	~~Form Name~~	~~Taxpayer Packet~~	~~Headquarters Packet~~	~~Audit Packet~~
~~***~~	~~Printed Audit Report from IRIS~~	~~X~~	~~X~~	~~X~~
~~BOE-414A/B~~	~~Report of Field Audit/Field Billing Order~~			~~X~~
~~BOE-414C~~	~~Report of Examination of Records~~	~~X~~	~~X~~	~~X~~
~~BOE-197~~	~~Allocation of Tax Change of Cooperative Audit Report~~		~~X~~	~~X~~
~~N/A~~	~~Go-Back Sheet with schedules superseded after the review attached~~			~~X~~
~~BOE-1161~~	~~Audit Cover Sheet~~			~~X~~
~~79_/89_/235_***~~	~~Letter to Taxpayer~~	~~X~~		~~X~~
~~N/A~~	~~Sales Tax Calculation Summary~~	~~X~~	~~X~~	~~X~~
~~BOE-767~~	~~Tax, Penalty, and Interest Calculation~~			~~X~~
~~BOE-502~~	~~Suggested Legislative Changes~~		~~X~~	
~~N/A~~	~~Fraud/Jeopardy Letter (Signed by the Chief, HQ Operations)~~	~~X~~	~~X~~	~~X~~

~~Form #~~	~~Form Name~~	~~Taxpayer Packet~~	~~Headquarters Packet~~	~~Audit Packet~~
~~414A p2~~	~~Results of Discussion of Audit Findings~~	~~X~~	~~X~~	~~X~~
~~BOE-122~~	~~Waiver of Limitation~~		~~X~~	~~X~~
~~BOE-392~~	~~Power of Attorney~~	~~X~~	~~X~~	~~X~~
~~BOE-101~~	~~Claim for Refund or Credit~~		~~X~~	~~X~~
~~R-414-A2~~	~~Reconciliation and Explanation of Reaudit/Revised Adjustments~~	~~X~~	~~X~~	~~X~~
~~N/A~~	~~Decision & Recommendation~~		~~X~~	~~X~~
~~BOE-836A~~	~~Report of Discussion of Audit Findings~~	~~X~~	~~X~~	~~X~~
~~N/A~~	~~Taxpayer's Letter of Protest/Petition~~		~~X~~	~~X~~
~~N/A~~	~~Petition Audit Summary Schedules~~			~~X~~
~~BOE-416~~	~~Petition for Redetermination~~			~~X~~
~~BOE-414L~~	~~Auditor's Worksheet- Local Sales and Use Tax Allocation~~		~~X~~	~~X~~
~~N/A~~	~~Reallocation Schedules~~		~~X~~	~~X~~
~~Schedule 20-G3~~	~~Sales Tax Prepaid on MVF Program~~	~~X~~	~~X~~	~~X~~

~~BOE-526~~	~~Managed Audit Program Participation Agreement~~	~~X~~	~~X~~	~~X~~
~~N/A~~	~~FTB Packet~~		~~X~~	
~~BOE-1151~~	~~Audit Assessment Summary~~		~~X~~	~~X~~
~~BOE-495~~	~~Index to Audit Working Papers (BLUE)~~			~~X~~
	~~Remainder of the Auditor prepared audit package~~			~~X~~

~~***= To be prepared by Audit Control~~

~~For audits and field billing orders with a recommended refund of $50,000 or more, the audit working papers must be sent to Headquarters with the HQ packet~~.

~~Forms BOE-1164 and BOE-1032 are normally distributed after the district reviewer has completed the review of the audit. Therefore, these forms must be attached to the audit when the audit is submitted to the supervisor and must remain with the audit until the district review of the audit is completed. In cases where Forms BOE-1164 and BOE-1032 need to be processed before the audit is completed, the auditor will attach a copy of these forms to the audit when the audit is submitted to the supervisor. The copy of the forms must be clearly labeled "COPY" so that the forms will not be distributed after the audit is reviewed by the district reviewer.~~

~~As a courtesy to the district receiving Form BOE-1164 or Form BOE-1032, the auditor should attach a copy of the registration and audit information screens (TAR AI and AUD MC) from IRIS. This information includes the start date of the business, industry code of the purchaser or supplier in question, and other data that are helpful in preparing the forms.~~

~~When the auditor recommends sending an audit report to the FTB, an "FTB Packet" must be prepared. The documents to be included in the FTB Packet are listed in the table below.~~

~~**FTB PACKET**~~		
~~**Form**~~	~~**Description**~~	~~**Comments:**~~
~~No Report Form Number~~	~~System Generated Report of Field Audit~~	~~Include a copy of both sides of the report. Do not include a copy of the report that contains only District taxes.~~
~~BOE-414~~	~~Transcript of Returns~~	~~Include a copy the first page that contains total sales and the computed State & County taxes. Do not include page(s) containing only deductions and computed District & Local taxes.~~
~~Schedule 1 or 12~~	~~Lead schedule of quarterly additional gross receipts subject to State, Local and County taxes.~~	~~Do not include the lead schedule that contains only the quarterly gross receipts subject to District taxes.~~

~~SPECIAL EXHIBITS AND SCHEDULES~~ ~~0213.06~~

~~Any special exhibits or schedules that support comments or explanations on summary or subsidiary schedules should be numbered consecutively following the schedules to which they pertain.~~

CHIEF, HEADQUARTERS OPERATIONS DIVISION 0213.12

The Chief, Headquarters Operations Division must review and approve audits that include a fraud penalty or are in excess of $250,000 in tax and are non-concurred. Audits requiring Chief, Headquarters Operations Division approval will be sent electronically by the District staff. Create a subfolder in the audit case folder named "Fraud Penalty." The "Fraud Penalty" folder resides in the same directory as the audit subfolders, such as *Forms*, *Correspondence*, *Superseded Schedules*, etc. Include the fraud memo and any attachments or exhibits in the "Fraud Penalty" folder.

An email requesting approval of the audit will be sent to the Chief, Headquarters Operations Division. Include the technical advisor and secretary for the Chief, Headquarters Operations Division as "ccs" on the email requesting approval. The subject line and body of the email should state "Request for Approval_Audit Case_Permit #_Taxpayer Name_Statute Date" (Request For Approval 54321 SR AA 108-123456 Joe's Plumbing July 31, 2011).

Audit case folders pending approval will be placed in the *To Chief of Headquarters Operations* folder. A copy of the audit should still remain in the district J:\ drive, generally in the Audit Control Inbox folder, until further processing. Headquarters Operations staff will notify the district office of approval by email. Any documents related to the approval should be attached in the email so they may be incorporated into the final audit folder or headquarters package. Once reviewed, the Chief of Headquarters staff should delete audit case folders from the *To Chief of Headquarters Operations*.

AUDIT ARCHIVE 0213.14

All completed audits, reaudits, and FBOs, will be cut from the *Audit Control Inbox* folder and pasted to the *To Audit Archive* folder by Audit Control once transmitted. These folders will replicate overnight to the Audit Archive and will be accessible by all staff the following day. Once transferred to the Audit Archive, no copy of the audit should remain in the district J:\drive, the auditor's J:\drive, or the auditor's C:\drive.

Audits prepared by headquarters staff will be placed directly into the *Audit Archive* folder by headquarters staff when complete. Audits prepared by headquarters staff will be filed by district of account.

~~The main *Audit Archive* folder consists of the following sub-folders~~

- ~~Audit Working papers – Completed audits, reaudits, and FBO's that are placed in the *To Audit Archive* folder and are replicated overnight will be placed in the appropriate districts folder in the Audit Working papers subfolder.~~

- ~~ADRS Completed Billings – ADRS staff will store all BOE 414-Es in this folder once they are billed.~~

If a district needs to retrieve a completed audit, a copy is located in the audit case folders in the main SUTD *Audit Archive* folder. Completed audits are filed by district office.

If a district needs to add a file to the audit folder after it has been replicated to the *Audit Archive* folder, the file should be emailed to the following mailbox: SUTD Digital Audit Help (SUTDDigitalAuditHelp@boe.ca.gov). The file should be properly named and specific instructions as to where the file should be placed must be provided. Files will be added to audit folders in batches, therefore they may not be immediately available to view in the *Audit Archive* folder.

RELATED ACCOUNT AUDITS 0214.00

AUDITS OF MORE THAN ONE LOCATION 0214.03

The auditor must ~~print out~~prepare a Form BOE–414-M, *Transcript of Returns Filed*, for each related account. When a previously unknown related account is disclosed during an audit, the auditor must notify the audit supervisor so the district can maintain control of the related account(s).

In order to keep all related accounts on a consistent basis for audit selection purposes, all related sales and use tax accounts are generally audited simultaneously for the same period. However, transmittal of a completed audit should not be delayed while audits of related accounts are in process.

All related accounts must be listed in the "Special Instruction" section on page 3 of Form BOE–414–A (Exhibit 1, page 3). The auditor will describe, under the "General Audit Comments" ~~section~~, the action taken on these accounts.~~, including whether Forms BOE–414–C, *Report of Examination of Records – Sales and Use Taxes* (AM section 0211.00) or BOE–596, *Report on Account Being Waived For Audit* (AM section 0212.00) were prepared. Form BOE–596 should be prepared for all related accounts that do not warrant an audit.~~

An error caused by reporting tax under the wrong account number should not be included in the audit reports. Instead, the error should be shown as a contra item to the related account. The auditor will also prepare Form BOE–523, *Tax Return and/or Account Adjustment Notice* (AM sections 0219.06 — 0219.12).

CONSOLIDATED AUDIT REPORTS AND SUMMARIES 0214.06

The system (TAR AI) lists all ~~S~~sub-~~P~~permits that the taxpayer has registered with the ~~Board~~BOE. In conducting audits of consolidated accounts, the auditor should verify whether the taxpayer's ~~S~~sub-~~P~~permits are correct and whether they are still active. The auditor should notify District Compliance of any changes (additions or close-outs) to the taxpayer~~'~~s' s~~S~~ub-p~~P~~ermits. See AM section 0219.03 for proper procedures in notifying District Compliance of these changes.

Audits of separate related accounts that have been placed under a consolidated permit (SR X, SR Y or SR Z) prior to the transmittal will be submitted as separate audit reports.

AUDIT HOURS 0214.15

The auditor will itemize the number of audit hours expended on each account included in the consolidated audit report in the "General Audit Comments" ~~section~~ of Form BOE– 414–A (AM section 0205.10).

FORM BOE–122, WAIVER OF LIMITATION 0215.00

SIGNIFICANCE OF THE WAIVER ~~FORM~~ OF LIMITATION 0215.03

~~A~~ Form BOE-122, *Waiver of Limitation* (waiver), is a legal agreement that a taxpayer may voluntarily enter into with the BOE. A waiver that is signed by the taxpayer prior to the statute expiration date, extends the three-year statute of limitations (or eight years in cases where no return was filed), for the period indicated on Form BOE–122. The ~~form~~ waiver requests ~~, but does not require,~~ the signature of a ~~Board~~ BOE employee but the employee signature is not required for the waiver to be considered valid. A w~~W~~aiver ~~of Limitation~~ duly signed by only the taxpayer is still a valid waiver.

If the taxpayer signs a w~~W~~aiver ~~of Limitation~~ prior to the statute expiration date, such waiver allows the ~~Board~~ BOE to examine the taxpayer's records, and possibly assess additional tax, for the periods which otherwise would expire under the statute of limitations. In addition, a signed waiver allows any credits in the period indicated on ~~Form BOE–122~~the waiver to be offset against any tax liability and it extends the period within which a taxpayer may file a timely Claim for Refund.

FORM BOE–122 ~~ILLUSTRATED~~— IN GENERAL 0215.06

Waivers normally will be obtained for a minimum of two calendar quarters and will be dated through one of the following expiration dates: January 31, April 30, July 31, or October 31. The same procedure is followed if the taxpayer is on an irregular reporting basis. For taxpayers in an irregular reporting basis, the waiver and/or an extension must be signed by the taxpayer prior to the expiration date of the irregular reporting period (see Exhibits ~~17~~14 & ~~18~~15). If an extension of more than six months is needed, the request and extension will be by full calendar quarters instead of by month.

Exhibit ~~15~~12 illustrates the proper preparation of an original waiver form. Exhibit ~~16~~ 13 illustrates a completed waiver form extending an original waiver. It should be noted that any extension must be executed within the time limits covered by the expiring waiver form. Exhibits ~~17~~ 14 and ~~18~~ 15 illustrate the proper preparation of waivers for a taxpayer on an irregular reporting basis, whereas Exhibits ~~15~~ 12 and ~~16~~ 13 illustrate the preparation of waivers for a taxpayer on a regular reporting basis.

The auditor will note the period covered by the waiver and the expiration date of the waiver on page 3 of Form BOE–414–A in the space provided (see AM section 0205.66).

BENEFITS GAINED FOR SIGNING A WAIVER 0215.09

A taxpayer may benefit from signing a w~~W~~aiver ~~of Limitation~~ as follows:

- The waiver avoids the ~~Board's~~ BOE's immediate issuance of a Notice of Determination in cases where the statute of limitation will expire.
- The waiver holds the period(s) in question open for filing a Claim for Refund or for offsetting any overpayment of tax against an existing tax liability.
- A waiver provides the taxpayer and the ~~Board~~ BOE with the ability to adapt to both foreseen and unforeseen time constraints. The waiver gives the taxpayer and the ~~Board~~ BOE the time necessary to thoroughly address difficult audit issues before those issues result in a billing.

- The waiver can at times expedite the audit process by allowing time to resolve audit issues "up front," rather than during the appeals process. ~~This may even eliminate the need to appeal the audit findings.~~
- The waiver may eliminate needless "red tape" which may result from a billing issued with good intentions, but possibly incorrect, due to time constraints that did not allow the detailed review necessary to reach a fair and equitable conclusion.

TAXPAYER SIGNATURE 0215.13

To preclude any question about the validity of a waiver, ~~all copies~~ the original waiver must be signed by (1) the ~~taxpayer~~ owner in the case of a sole proprietorship, (2) a partner in the case of a partnership, (3) a corporate officer in the case of a corporation, or (4) ~~someone~~ a person holding a written power of attorney from ~~one of those persons~~the owner, a partner, or a corporate officer.

The essential elements of a valid written power of attorney are:

1. The document must be dated and identified as a "power of attorney."
2. The document must clearly authorize the agent (controller, assistant controller, or some other person) to act in a manner consistent with the signing of a waiver. Ideally, the power of attorney will authorize the agent to act in "sales and use tax matters." However, a less specific description may be acceptable if it can reasonably be interpreted to impose upon the agent the right to execute Form BOE–122, *Waiver of Limitation*.
3. The person granting the power of attorney must be the owner, partner, or a corporate officer of the company being audited.

Form BOE-392, *Power of Attorney*, may be used to document power of attorney status.

With respect to corporations, if the title of the person signing the waiver is other than the chairman of the board, president, secretary, or chief financial officer, the auditor must verify, by examining the corporate documents (e.g., articles, bylaws, minutes, etc.) whether the titled position constitutes a corporate officer.

With respect to partnerships, if the person signing the waiver is not listed as a partner on TAR AI, the auditor will verify the validity of the person's status as a partner by reviewing the partnership agreement. Any changes in partners must be reported to District Compliance as provided in AM section 0219.03.

A copy of the written power of attorney must be scanned and placed in the *Forms* subfolder of the audit case folder. In addition, a paper copy of the power of attorney is submitted when turning in the audit and saved in the district file (see AM section 0213.03). The original paper copy of the written power of attorney documents are sent to the Taxpayer Records Unit (MIC 36) to be scanned into Documentum.~~secured and attached to the copy of the waiver(s), Form BOE-122, which will be transmitted to Headquarters with the audit report if the waiver signatory is other than a corporate officer, partner or owner.~~

WHEN TO REQUEST A WAIVER OF LIMITATION 0215.15

A w~~W~~aiver ~~of Limitation~~ should be requested in cases where there is a sufficiently documented understatement or overstatement that can be billed/refunded without additional examination for the period(s) in question, and there is insufficient time to make an audit to be used as a basis for a determination before the expiration of the three-year period. A

waiver should also be requested when a taxpayer requests a postponement while an audit is in process or when there has been excessive taxpayer delay right before an audit is about to commence. If the taxpayer refuses to execute a waiver in these cases, determinations will be made on an estimated basis if information is available which supports an understatement of reported tax.

If a signed waiver is returned to the auditor by mail, the postmarked envelope must be attached to the original waiver and saved in the district file. If the signed waiver was obtained in the field, the auditor must have the waiver date stamped immediately upon returning to the auditor's district office.

A signed waiver that has been scanned and transmitted electronically or via a facsimile machine (faxed) is acceptable provided that it contains the date and time of transmission and telephone number of the sender either on the document itself, or on the proof of transmission such as a copy of the email, or on the standard fax cover sheet.

DOCUMENTING THE NECESSITY FOR A WAIVER OF LIMITATION 0215.16

When the auditor determines that it is necessary to request a w~~W~~aiver ~~of Limitation~~ from the taxpayer, the auditor will ~~enter the basis for~~document ~~the~~ the reason for requesting the waiver on the audit's *Assignment* ~~*Contact*~~ *Activity History*, BOE–414–Z (see AM section 0221.06, regarding the use of Form BOE–414–Z).

The auditor will also document the following ~~specifically indicate the circumstances~~ on the BOE-414-Z: ~~Assignment Contact History~~

~~, as outlined in this section, which necessitated the request for a waiver. Supervisory approval of the circumstances which necessitated the request for a Waiver of Limitation will be entered on the audit's Assignment Contact History before presenting the waiver to the taxpayer for signature.~~

1. If the extension of the statute of limitations totals two years or more, document approval by the District Principal Auditor before the waiver is presented to the taxpayer for signature.
2. The date the waiver was mailed or hand delivered to the taxpayer.
3. The date the waiver was signed by the taxpayer, and
4. The date a copy of the signed waiver was delivered to the taxpayer.

~~In addition, audit supervisors are to review and initial all waivers before they are presented to the taxpayer.~~

PREPARATION OF WAIVERS 0215.17

Auditor's Responsibility:

The auditor will ensure the waiver/waiver extension is accurately prepared to secure expiring periods. The auditor must pay specific attention to waiver extensions with regard to the original waiver and the periods for which the extension is being taken. Auditors should verify the reporting periods for the account using the AUD MP screen in IRIS. The AUD MP screen reflects changes in reporting basis and is a valuable tool when identifying reporting periods for accounts that report on an irregular basis.

The Start 21 workbook has an automated Waiver worksheet that uses a wizard to compute waivers and waiver extensions for the audit period. Select the "BOE-122" worksheet in

Start 21, click the "Calculate" button on the BOE-122 worksheet and fill-out the pop-up boxes as required.

The auditor will prepare a minimum of ~~three~~ two copies of the waiver ~~. The copies are~~and distribute them as follows: the original, signed copy will be maintained in the district office file ~~to Headquarters with the audit report; one copy remains with the audit working papers,~~ and ~~one~~ a copy is sent to the taxpayer.

Auditors must scan the completed waiver and place the document in the *Forms* subfolder using the following naming convention:

> District Code_Case Number_Taxpayer Name_Document Name_Extension through Date
>
> **For example**: EA_54321_ABCO_BOE 122_2011_10_31

~~The auditor will provide a copy of the AUD MP screen with each waiver and waiver extension. The auditor should present the printout to the audit supervisor when requesting the supervisor to review and initial the waiver. The auditor should highlight the audit period on the printout and include the printout in the audit working papers. The audit supervisor should review the Waiver of Limitation form for accuracy and completeness before presenting the form to the taxpayer for signature. The supervisor should initial the form indicating such review.~~

~~Waivers normally will be obtained for a minimum of two calendar quarters and will be dated through one of the following expiration dates: January 31, April 30, July 31, or October 31. The same procedure is followed if the taxpayer is on an irregular reporting basis. For taxpayers in an irregular reporting basis, the waiver and/or an extension must be signed by the taxpayer prior to the expiration date of the irregular reporting period (see Exhibits 17 & 18). If an extension of more than six months is needed, the request and extension will be by full calendar quarters instead of by month.~~

~~The auditor will note the period covered by the waiver and the expiration date of the waiver on page 3 of Form BOE-414-A in the space provided (see AM section 0205.66).~~

Audit Supervisor's Responsibility

The Audit Supervisor is responsible to ensure that field audit staff timely request and obtain valid waiver/waiver extension(s) from each taxpayer for assigned audits with period(s) expiring due to statute.

Generally, unless there are circumstances such as a close out, an audit period should include at least twelve quarters. Audit Supervisors may approve the decision to allow a period(s) to expire if the amount of tax is immaterial or no tax liability exits and there is a good business reason to do so. Comments should be made in the audit report (BOE-414-Z) as to the reasons the period(s) were allowed to expire and/or if an audit is completed with less than 12 quarters.

District Principal Auditor's Responsibility

The District Principal Auditor (DPA) is responsible to ensure that:

- Audit Supervisors monitor and review audit inventory assigned to field audit staff to ensure that all waiver/waiver extensions have been obtained to properly secure expiring periods.
- All inventory in district review (e.g., audits, FBOs) contains a valid waiver/waiver

extension to properly secure expiring periods.

Posting a BOE-122, Waiver of Limitation – AUD MP

When a waiver/waiver extension is received from the taxpayer, the district must timely post the waiver/waiver extension information into the AUD MP screen. It is the DPA's decision as to whom posts this information. Timely means the date on which the signed waiver is received from the taxpayer or the date the auditor returns to the office.

District Administrator Quarterly Review

On a quarterly basis, the District Administrator must ensure that all waiver/waiver extensions have been obtained that secure expiring periods with respect to audit inventory assigned to field audit staff or in district review. The District Administrator may delegate this responsibility; however, the District Administrator is accountable for any period(s) that expires under the statute due to waiver/waiver extension errors. The District Administrator may be asked to provide additional information regarding the circumstances leading to any lost period(s) and to provide information on any action taken to avoid future occurrences.

WHERE MORE THAN ONE PLACE OF BUSINESS IS OPERATED 0215.18

Where the taxpayer operates more than one place of business, but does not have a consolidated permit, the waiver should specifically cover all locations for which the audit is being made. All permit numbers should be noted in the waiver. However, if the waiver form does not provide adequate space for description of all permit numbers and periods involved, then a separate waiver should be taken for each permit.

WAIVERS ~~MAY BE TAKEN~~ IN LEGAL CASES 0215.21

Taxpayers should not be allowed to cause undue delay in the completion of a bankruptcy, assignment for the benefit of creditors, or probate audit. This is important because of the following final dates for filing claims.

Bankruptcy: six months from the date first set for the first meeting of creditors unless otherwise ordered by the court.

Assignment: ~~four months from the date of assignment.~~final date established by the assignee – must be at least 150 days (and not more than 180 days) from the date of written notice to creditors of the assignment.

Probate: four months from the date of a written request to issue a deficiency determination by a personal representative or administrator. ~~publication of notice to creditors.~~

A waiver may be taken in legal cases where there appears to be good reason and after consultation with the Special Operations Branch that the extension will not interfere with the administration of the case. In any event, the agreed upon extension date in the waiver must not be beyond the final date for filing claims as stated above. ~~provided that the agreed upon extension date in the waiver is not beyond the final date for filing claims as noted above.~~

WAIVERS ON AUDITS RECOMMENDING PENALTY FOR FRAUD 0215.24

Whenever a penalty for fraud or intentional evasion has been recommended on the audit, the three-year statute of limitation period does not apply. However, it is recommended that a waiver be secured for expiring periods if necessary as the fraud penalty recommendation

may later be deemed unwarranted.

YEARLY REPORTING PERIOD 0215.25

Waivers for accounts reporting on a yearly basis must be obtained within three years after the last day of the calendar month following the one-year period for which the amount is proposed to be determined, or within three years after the return is filed, whichever period expires later.

EXPIRING LIABILITY WITH NO WAIVER 0215.27

Audit reports containing recommendations for additional liability for periods that are about to expire and where no waiver has been secured should be transmitted to Headquarters at least 30 calendar days prior to the date on which such liability will expire. If it is not possible to do so, the district will "phone bill" the audit in the system and contact ADRS to recommend "phone billing" for the expiring period(s). Only under extraordinary circumstances should telephone billings be requested by a district within five (5) days of the expiration of the statute of limitations.

The recommendation should include the following comments added on the AUD RC screen under "Rsn Comment:"

1. Reason for phone billing — waiver, bankruptcy, etc.
2. When there is no penalty assessed on a "phone bill," the reason for no penalty is required.
3. Analysis of measure of tax by class of transaction. Fax copy or e-mail is acceptable.
4. For dual determination, reason for the dual is required.
5. For "phone bill" with fraud, a letter from the District Administrator is required before processing.
6. Identify all offsets so that appropriate bill note can be added by ADRS.
7. If audit is a go-back, comments must show if the required changes have been made or not.

When the exact amount of additional measure of tax is not known, a reasonable estimate should be made. The procedure of making a separate determination for expiring periods should be followed only when a delay in submission of a completed audit report is directly attributable to actions of a taxpayer who refused to sign a Waiver of Limitation (AM section 0215.15).

Prior to requesting a telephone billing, the District Principal Auditor must send Form BOE-79-G, *Letter to Taxpayer Prior to Phone Billing,* to a taxpayer who refuses to sign a Waiver of Limitation. The letter advises taxpayers of the upcoming bill and confirms the auditor's discussion of why the early billing is necessary.

WHEN SEPARATE DETERMINATION ~~LEVIED~~ ISSUED FOR EXPIRING PERIOD 0215.30

Make a notation under the "Special Instructions" section on page 3 of Form BOE–414–A (AM section 0205.62) whenever a separate determination is issued for an expiring period prior to the completion or transmittal of the audit report to ADRS. When a separate determination for expired period(s) was levied for a tax liability, enter an appropriate comment, explaining the reason for the downward, upward, or no adjustment, in the "General Audit Comments" ~~section~~ of Form BOE–414–A. In addition, insert the appropriate notation on page 3 of Form BOE–414–A, under the "Special Instructions" caption (see below).

Note: The measure of the determination dated (show date) for (show period) was

overstated by (show measure of overstatement).

Note: The measure of the determination dated (show date) for (show period) was understated by (show measure of understatement).

Note: The liability for (show period) was determined on (show date) and totaled $ (show amount).[4]

[4] Applies when the separate determination for the expired period was made for the same liability as disclosed by audit.

OVERPAYMENTS 0216.00

AUDITOR'S COMMENTS 0216.03

An audit report recommending approval or denial of a claim for refund must contain specific information as to the nature of the overpayment, the amount to be refunded as established by the taxpayer, the amount of tax to be refunded as recommended by the auditor, and the hours spent in verifying the claim for refund. These comments are entered under the caption "Overpayments" in the "General Audit Comments" ~~section~~ of Form BOE–414–A (AM section 0206.48).

CLAIMS FOR REFUND 0216.06

Refunds may be made or credits granted provided approval by the ~~Board~~BOE is given within the periods specified in the applicable business tax law. Exceptions are noted in AM sections 0216.12 and 0216.15. Claims for refund should be secured when overpayments are noted. This policy will protect the taxpayer's interest for any item in an audit or quarter that resulted in a net credit.

FORM AND CONTENT OF CLAIM 0216.09

With respect to claims for refund or credit, RTC section 6904 states:

> "Every ~~such~~ claim ~~must~~ shall be in writing and ~~must~~ shall state the specific grounds upon which the claim is founded."

No special form of claim is necessary to comply with this requirement of the law; however, Form BOE–101 may be used for this purpose.

When advising the taxpayer on the content of the claim, it should be stressed that the statute requires the claim to identify the specific grounds on which the claim is being filed. The auditor should advise the taxpayer to avoid generic language where possible, such as "unclaimed sales for resale for the fourth quarter." Rather, the taxpayer should identify the specific transactions for which the claim for refund is being filed.

The original, signed copy of the claim for refund will be maintained in the district office. Auditors must scan and place the completed claim for refund document in the *Forms* subfolder of the audit case folder using the following naming convention:

> District Code_Case Number_Taxpayer Name_Document Name_claim date
>
> **For example**: EA_54321_ABCO_BOE 101_2011_04_15

SUBSEQUENT REFUND CLAIMS 0216.10

A subsequent refund claim based on the same transaction(s) and theory as an original refund claim is treated as an amendment to the original claim. For example, a taxpayer files a claim for refund on the theory that a sale of tangible personal property to Customer A was a sale for resale of $50. Thereafter, the taxpayer files a second claim for refund for the same period asserting that the sale of property to Customer A was a sale for resale but in the amount of $75 rather than $50. The second claim is considered an amendment to the original claim because it is based on the same transaction and theory but for a different dollar amount.

When the subsequent refund claim is based upon the same transaction(s) but a different theory as the original refund claim, this claim is also treated as an amendment to the original claim. For example, a taxpayer files a claim for refund on the theory that a sale of property to Customer B was a sale for resale in the amount of $50. Thereafter, the taxpayer files a

second claim for refund in the same period asserting that the sale of property to Customer B was an exempt sale in interstate commerce in the amount of $50. Again, the second claim is considered an amendment to the original claim because it is based on the same transaction but a different theory.

A second claim that is based upon a different transaction is considered a new claim for refund. To do otherwise would allow a particular period to potentially remain open indefinitely as long as one claim for refund had been filed for that period. For example, a taxpayer files a claim for refund on the theory that a sale of property to Customer C was a sale for resale. Thereafter, the taxpayer files a second claim for refund for the same period asserting that a sale to Customer D was also a sale for resale. The second claim is not an amendment to the first claim even though based on the same theory. It is a new claim because it is based on a different transaction. The new claim must be filed within the period specified by statute to be considered valid.

WHEN DEFICIENCIES CAN BE OFFSET AFTER THE STATUTE OF LIMITATIONS 0216.11

The ~~Board~~BOE may reduce amounts awarded under timely claims for refund by deficiencies that occur during the periods covered by the claim for refund, even though the deficiencies are offset after the expiration of both the statute of limitations and any agreements extending the time for addressing such deficiencies.

Under the doctrine of "equitable setoff," a claim for refund opens the taxpayer's entire tax liability for the period in question. Thus, even though the ~~Board~~BOE is barred by the statute of limitations from issuing a deficiency assessment attributable to one reporting period, it is proper for the ~~Board~~BOE to apply that underpayment against an overpayment in a different reporting period, provided both periods are covered by the claim for refund.

While the ~~Board~~BOE can offset debit liabilities against overpayments within the claim period, such offset cannot exceed a zero balance. A Notice of Determination cannot be issued for any liability remaining in periods that have expired because of the statute of limitations. This interpretation of RTC sections 6487 and 6901 was upheld in Sprint Communications Company v. State Board of Equalization (1995) 40 Cal.App.4th 1254 (see Business Tax Law Guide, Sales and Use Tax Court Decisions).

WHEN OVERPAYMENTS MAY BE ALLOWED 0216.12

Credit for overpayment of tax for one or more reporting periods covered by the waiver may be allowed as an offset against the total amount of net underpayments established for any period, or periods, covered by the audit, regardless of whether the audit discloses a net overpayment or underpayment for the entire audit period.

A WAIVER DOES NOT PERMIT A REFUND IN THE ABSENCE OF A CLAIM FOR REFUND 0216.15

If the overpayment of tax for the period(s) covered by the waiver exceeds the total amount of net underpayments established for any quarterly period(s) covered by audit, no refund of the excess can be made unless a timely claim for refund has been filed. A claim for refund filed within the period for which a waiver has been given will be considered a timely claim. If, however, the overpayment is not in excess of the net underpayments, the entire amount thereof may be applied as a credit.

When the last day for filing a timely claim for refund falls on a Saturday, Sunday or holiday, the claim for refund may be filed on the next business day with the same effect as if it had been performed upon the day appointed.

PETITION FOR REDETERMINATION CASES 0216.18

A timely claim for refund should be obtained if there are credit items included in an audit which recommends additional liability and the taxpayer is not in agreement with the audit report. Without a timely claim for refund, any excess of credits remaining for any period(s) would be barred by the statute of limitations.

SAMPLING FOR REFUND CLAIMS 0216.21

Sampling and projection techniques may be used by taxpayers to determine the amount of overpayment of tax liability using criteria similar to the techniques used by auditors (see AM sections 0405.20 and 1302.05). If sampling and projection techniques are not appropriate for some or all of the transactions, the amount of the refund will be determined on an actual basis. Once the taxpayer has filed a claim for refund and has requested or suggested determining the amount of refund by means of sampling, an auditor should contact the taxpayer to determine if sampling is feasible, and if so, develop a mutually agreeable sampling plan. The auditor may choose to consult a Computer Audit Specialist (CAS) on the sampling plan. Taxpayer requests for CAS consultation are subject to the procedures outlined in AM section 1302.25(h). The preferred method of sampling is statistical sampling as described in AM Chapter 13. Claims for refund using statistical sampling need to meet the same evaluation requirements of any statistical sample. If statistical sampling is not feasible, nonstatistical sampling procedures, as discussed in AM Chapter 4, will be considered.

INTEREST COMPUTATIONS 0217.00

FORM BOE–767, TAX, PENALTY AND INTEREST CALCULATION 0217.01

The Auditor prepares Form BOE–767, *Tax, Penalty and Interest Calculation* (Exhibit ~~3~~2), along with Forms BOE–414–A and BOE–414–B. It is important that auditors provide accurate information on Form BOE–767 because such information is used to calculate penalty and interest on the measure of tax shown ~~on Schedule 414–A2 (Exhibit 2) or as shown~~ on the lead schedule which contains all of the differences disclosed by audit. The total tax liability (tax, penalty and interest) is recapped on a Sales Tax Calculation Summary report that is printed with the audit report on IRIS.

CALCULATION OF INTEREST 0217.03

The applicable rate of interest to be used on overstatements and understatements of tax liability can be found on the ~~Board~~BOE's w~~W~~eb site (www.boe.ca.gov/sutax/interates.htm).

IRIS accrues monthly simple interest on unpaid tax beginning the 1st day of the month after the due date of the sales and use tax return, until the tax liability is paid in full.

To facilitate the processing of billings on the accounts receivable system, interest on sales and use tax accounts should be calculated through the last day of the month except those accounts with irregular reporting periods and due dates.

Sales and use tax audit reports that are to be transmitted before the twentieth of the month should have interest computed only to the end of the month in which they are transmitted. For example:

TYPE OF TAX	TRANSMITTAL DATE	ACCRUE INTEREST TO
Sales and Use Tax	October 19, xxxx	October 31, xxxx
	October 20, xxxx	November 30, xxxx

One additional month's interest should be added when the net overstatement is more than $50,000 and the audit is transmitted to Headquarters in accordance with the above interest date schedule. For example:

TYPE OF TAX	TRANSMITTAL DATE	ACCRUE INTEREST TO
Sales and Use Tax	October 19, xxxx	November 30, xxxx
	October 20, xxxx	December 31, xxxx

CREDIT INTEREST 0217.04

Where an audit report includes both debits and credits, and interest is allowed on the credits, interest will be computed based on the "running balance" method of computing interest. The effective date of overpayment will be the latter of the due date of the return, the date the return was received, or the date payment(s) on the return were received.

DELINQUENCY INTEREST 0217.06

Interest will be computed as indicated herein on all cases, even if the return was filed late or remains unpaid as of the date of the audit. Headquarters will bill separately all delinquency interest due as a result of late payment of returns.

CLOSE-OUTS 0217.09

All sales tax audits, other than accounts reported on a yearly basis, are made on a quarterly basis regardless of the taxpayer's reporting basis. Interest on a closing period will always be computed from the last day of the month following the end of the quarter in which the close-out occurred, except accounts with a regular due date other than the last day of the month.

URGENT CLOSE-OUTS 0217.10

The ~~Board~~BOE is authorized to make determinations on close-outs prior to the due date of the returns, but determinations should not be made in lieu of obtaining closing returns. Final returns should be secured from the taxpayer whenever possible. Penalties, because of failure to file, do not apply on tax determined before the due date of the return, even if no return was filed. However, penalties for negligence or fraud may apply, and if asserted, will apply to tax determined on the report.

The "finality" penalty applies in the usual manner if the determination is not paid before it becomes final. (See RTC section 6565.)

Form BOE–414–B and system-generated report BOE–414–A, which include tax billed for the final return, will not include interest on tax determined before the due date. When tax for other periods is included, no interest on tax for the current period will be shown in the "interest to" column of the Sales Tax Calculation Summary or Form BOE–414–B.

When the audit report is prepared and the taxpayer files a return and makes payment, processing is as follows:

(a) After determination is made, the remittance is considered a payment on account.

(b) Before determination is made, if it is subsequently discovered that a return was filed by the taxpayer and paid in full or in part prior to the date of the determination, such return will be deemed a return to the extent of the amount paid. The determination will be reduced accordingly.

Penalties for negligence or intentional disregard of the Sales and Use Tax Law or authorized rules and regulation (RTC section 6484 penalties) may be asserted for the closing period even though the determination is made before the return is due. Penalties for fraud or intent to evade (RTC section 6485 penalties) will apply in the same manner.

WHEN INTEREST ON OVERPAYMENTS IS NOT ALLOWED 0217.12

Interest on overpayments (credit interest) is not allowed when statutorily prohibited or in cases of intentional overpayment, fraud, negligence, or carelessness. The following examples illustrate situations in which credit interest would not normally be recommended:

- The taxpayer knowingly overpaid the tax liability.
- There are recurring overpayments caused by clerical or computational errors, such as inclusion of receipts for periods other than which the return is intended, omission of allowable deductions, use of incorrect tax rate, or errors of addition or subtraction committed on the face of the tax return or made on supporting schedules submitted with the tax return, and the taxpayer has been notified in writing of such errors.
- Audit situations where it is determined the taxpayer has overpaid the tax liability, but a negligence penalty would have been assessed had the audit resulted in a net deficiency.
- There are tax overpayments caused by repeated errors in similar transactions, when the taxpayer has been notified in writing, including comments in the audit working papers that such transactions are either non-taxable or are tax exempt.

WHEN INTEREST ON OVERPAYMENTS IS ALLOWED 0217.13

The following situations illustrate when credit interest on overpayments is allowed:

- Clerical or math errors made in filing returns resulting in overpayments
- Inclusion of prior period receipts in current period
- Omission of allowable deductions
- Over-reported purchases subject to use tax
- Refunds of unapplied payments
- Overpayments of tax resulting from excess tax reimbursement
- Refunds as a result of Appeals process
- Refunds of erroneous billings
- Misinterpretation of the law resulting in overpayment
- Net credit returns
- Timing differences
- Excess or duplicate prepayments involving a claim for refund

CREDIT INTEREST ON UNJUST ENRICHMENT 0217.20

A refund of excess tax reimbursement paid by the retailer to the ~~Board~~BOE will not be made unless the retailer submits proof that the tax has been or will be returned to the customer. (See Regulation 1700 (b)).

ACCOUNT INFORMATION 0219.03

Verifying Taxpayer Contact Information

When staff is in contact with a taxpayer, whether in person, over the telephone, or via email, an updated phone number, email address, and business address should be requested. The BOE is focusing on additional forms of communication to expand proactive outreach and encourage voluntary compliance through the use of email notices and automated telephone reminders notifying taxpayers of account information or status updates. Thus, telephone and email records in the Taxable Activity Registration System (TAR) need to be as current and accurate as possible.

Staff should ensure the accuracy of telephone, email and address records in IRIS as follows:

- Verify current taxpayer records
- Request updated contact information from taxpayers
- Obtain missing telephone numbers or email addresses
- Update TAR records in IRIS

Staff should also verify that both TAR and the Client Taxpayer System (CTS) subsystem share the same data, as both subsystems contain account registration information. Accounts registered as corporations or limited liability companies also have TINs for corporate officers and members which may require additional verification and possible updates.

District Compliance will make necessary changes to a taxpayer's account. It is the auditor's responsibility to verify the taxpayer's information and notify District Compliance of any changes or discrepancies in the taxpayer's account ~~information.,~~information. In addition to the above, auditors should also verify: ~~such as:~~

- Changes to the taxpayer's mailing or business address
- Change in ~~business code~~NAICS Code (AM section 0206.21)
- Change in DBA or use of a DBA
- Change in partners
- Any other discrepancies found in TAR AI

To notify District Compliance, auditors will print the taxpayer's account information (TAR AI) and make the necessary notations on the printout, including the following:

- Circle incorrect information and write the correct information in red.
- Provide a short explanation regarding the change(s) along with the effective date of the change(s). In the case of a NAICS Code correction, provide a legible, short and accurate description of the taxpayer's primary business activity.
- Insert the auditor's name and telephone number.

In the case of a change in partners, the auditor will attach evidence supporting the date of the change (e.g., addendum to the partnership agreement, letter of withdrawal, Statement of Dissociation, etc.).

After the auditor makes the above notations, the auditor will submit the corrected TAR AI to his or her supervisor for review. The auditor's supervisor will forward the changes to District Compliance. A copy of the proposed changes will be scanned and placed in the *Memos & Misc Documents* subfolder of the audit case folder. ~~in the audit as a memo schedule.~~

FORM BOE–523, TAX RETURN AND/OR ACCOUNT ADJUSTMENT NOTICE 0219.06

Form BOE–523 (Exhibit ~~21~~18) is a multi-purpose form used to clear or establish delinquencies, to adjust returns or tax between accounts and/or reporting period, and to transfer information between accounts. Due to ~~some~~ the majority of compliance functions now being completed on-line, Form BOE–523 is normally sent to District Compliance. However, in some instances, Form BOE–523 should be sent to Return Analysis Unit (RAU) as discussed in AM section 0219.09.

REASONS FOR PREPARING FORM BOE–523 0219.09

There are many situations that may require the preparation of Form BOE–523. The list below provides illustrative examples of some of the types of situations that may require the preparation of Form BOE–523. The list is not meant to be all inclusive, but merely illustrates the common types of situations encountered by an auditor, requiring preparation of the form.

The following changes reported on Form BOE–523 will be sent to District Compliance:

(a) Change of start or close-out dates.

(b) Requests for "Did Not Operate" (DNO) clearances.

(c) Requests to apply payments to audit periods.

The following changes reported on Form BOE–523 will be sent to the ~~Return Analysis Unit~~RAU.

(a) All requests to transfer revenue between periods and/or accounts.

(b) Requests to apply a payment to a specific period.

(c) Requests to apply a partial payment or revenue to a specific period/account.

(d) Requests to split revenue between a specific period/account.

PREPARATION OF FORM BOE—523 TO MOVE RETURNS 0219.10

A Form BOE-523 to move payments between accounts does not have to be processed prior to processing and/or billing the audit in certain situations. In order to process/bill an audit prior to From BOE-523 being processed, a new account number must be obtained for the new entity and the start date of this new account should be the effective date of the ownership change. The new account should be placed on the same reporting basis as the old account. Financial Obligations (FOs) need to be created under the new account number and a withhold placed on the new account to ensure delinquency notices are not issued.

The Transcript of Returns (414-M) for the old account will be used to input reported taxable measure for the upload process. The old account number and old case identification number (ID) on the transcript of returns should be replaced with the new

account number and case ID. A comment must be made under the "General Comments" on page 2 of the audit report stipulating Form BOE-523 has been prepared to move the returns. The comment must include a reference to the periods being moved and the account numbers involved. A copy of Form BOE-523 should be retained in the *Memos and Misc Documents* subfolder of the audit case folder. The auditor shall document on the BOE-414-Z, *Assignment Activity History*, the date Form BOE-523 was submitted for supervisor approval.

A Form BOE-523 **must** still be processed and the returns moved *prior* to the billing of the audit if:

- The taxpayer is in bankruptcy during the audit period.
- The audit involves application of a fraud penalty.
- Credits exist on any of the returns filed under the old account and these credits need to be applied when the audit is billed.

INFORMATION FOR PREPARATION OF FORM BOE–523 0219.12

The auditor will prepare ~~two copies of~~ Form BOE–523 for each account. ~~.~~ For the situations noted in AM section 0219.09, the form ~~When two or more accounts are involved, the originals that~~ will be sent to the ~~Headquarters~~ RAU or District Compliance. ~~(as discussed in AM section 0219.09) should be stapled to present a "package" of the transaction.~~ These forms should be sent to ~~Headquarters~~ the RAU or District Compliance as soon as possible to expedite the required change. ~~Do not use photocopies.~~ A copy of Form BOE-523 should be kept in the *Memos and Miscellaneous Documents* subfolder of the audit case folder.

Staff may email routine RAU maintenance requests, which include Form BOE-523, to the email group: SUTD-RAU Electronic Maintenance Requests. Include the account number in the email subject line to aid in the distribution of the emails. If a specific request needs to be expedited, add "RUSH" in the subject line and provide a brief reason for the rush in the email.

If only section 1 is to be completed, enter the full account number, the taxpayer's name and reporting basis.

~~Depending on each case, the "C.O." box may be checked and notations made on either "change of closeout date" or "change of starting date" lines.~~

If sections 1 and 2 are to be completed, both sections must contain the business and area codes. See AM section 0206.21 for information on business codes.

Following are general instructions for each section:

SECTIONS 1 & 2:	When two accounts are involved, section 1 is used for the account from which a transfer or adjustment is made. Section 2 is used for the account to which a transfer or adjustment is made.
SECTION 3:	This section is used to transfer entire returns or ~~EFT~~ prepayments from one account to another.
SECTION 4:	Not used by field auditors.
SECTION 5:	Not used by field auditors.
SECTION 6:	This section is used to transfer a fractional period erroneously included in a return or ~~EFT~~ prepayment from one account to

	the correct account.
SECTION 7 & 7B:	For Headquarters' use only.
SECTION 8:	This section is for explanations of adjustments made in sections 1 to 7B.

For more information on Form BOE–523, refer to the CPPM Chapter 3, *Account Maintenance*, section 335.000, *Tax Return/or Account Adjustment Notice – BOE–523*.

PREPAYMENT OF SALES TAX ON MOTOR VEHICLE FUEL PROGRAM 0220.00

GENERAL 0220.03

All routine audits of sellers of motor vehicle fuel (MVF) must include verification of any prepayments made and claimed under both the sales and use tax and "SG" programs. Since a separate accountability of funds is maintained between these two programs, it is critical that audit differences affecting the "SG" account be separately identified. (See BOE's website at http://www.boe.ca.gov/sutax/prepayrates.htm ~~Exhibit 22~~ for prepayment rates.)

SPECIAL PROCEDURES FOR GASOLINE RETAILERS 0220.06

All retailers of MVF subject to the provisions of the "Prepayment of Sales Tax on Motor Vehicle Fuel Program" will use a modified sales and use tax return (BOE–401–GS). This return includes a Schedule G which allows the retailer to:

- Claim credit for prepayments made on purchases of MVF, and
- Claim credit for tax paid to other states.

When preparing the audit report, any differences in the sales tax prepayment amounts reported on Schedule G must be identified separately in the audit working papers and in the audit report. The following special guidelines should be followed when preparing audit reports on gasoline retailers:

A. Errors in Claiming Sales Tax Paid to Suppliers and Wholesalers

Credit and debit adjustments to amounts claimed on returns for prepayment of sales taxes on motor vehicle fuel will be reflected on the upload disk.

When adjustments are made to prepaid sales tax claimed, a copy of the audit working paper schedule, 20 G3, *Total Sales Tax Paid*, must accompany the audit report transmitted to Headquarters. Because these errors require an adjustment to the "SG" fund, a notation must be made in the "Special Instruction" section (see AM section 0205.62) as follows: "Adjustment to 'SG' Fund Required."

B. Errors in Claiming Credit for Tax Paid to Other States

Adjustments for errors in claiming credit for tax-paid to other states will be reflected on the upload disk. Because these errors do not require adjustment to the "SG" fund, a notation is not required in the "Special Instruction" section and copies of the audit working paper schedules are not required to be transmitted to Headquarters.

The auditor will not make any notations regarding the adjustments to the sales tax prepayment amounts claimed in the "Analysis of Measure of Tax" section. Audit reports, except as noted above, should be prepared following the general guidelines of this chapter for sales and use tax audits.

When preparing reaudits and adjusted FBO's, the auditor should provide a complete explanation of "SG" fund additions or reductions in the "General Audit Comments" ~~section~~ of Form BOE–414–A.

SPECIAL PROCEDURES FOR GASOLINE SUPPLIERS AND WHOLESALERS 0220.12

Suppliers and wholesalers of MVF are assigned an "SG" account number in addition to their regular sales and use tax account number. Such suppliers and wholesalers are required to report pre-collection sales tax on the "SG" return (BOE–410–DB).

All taxpayers holding an "SG" account will have the "SG" account ~~investigated~~ examined in conjunction with their related sales and use tax account, even though only one or two quarters may be involved. This procedure will facilitate alignment of the "SG" accounts with their related sales and use tax account and ensure that amounts are being reported properly. The related sales and use tax account number should be noted on the back of the audit report.

Form BOE–414–B may be prepared when a complete audit is not warranted. When this is done, Form BOE–414–B should be completed following the same guidelines as outlined above for the audit report.

A penalty of 10 percent of the amount of any prepayment due but not paid shall be added for any supplier or wholesaler who fails to make a timely remittance to the ~~Board~~BOE of the prepayment amounts, plus interest at the modified adjusted rate per month, or a fraction thereof, from the date the prepayment became due and payable until the date of payment.

A 25 percent penalty, rather than the 10 percent penalty mentioned above, shall be added if such failure to timely remit the prepayments was done knowingly or intentionally by the supplier or wholesaler. (RTC section 6480.4.) This penalty is applied in addition to any other applicable penalties recommended.

~~FORM~~ BOE–414–Z, ASSIGNMENT ~~CONTACT~~ ACTIVITY HISTORY
~~FORM BOE–414–Z1, ASSIGNMENT STATUS SUMMARY~~ 0221.00

~~GENERAL~~
OVERVIEW 0221.03

~~The assignment contact history provides a history~~ Form BOE-414-Z, *Assignment Activity History* (Exhibit 21), creates a record of ~~taxpayer~~ contacts, staff actions, taxpayer or taxpayer representative (collectively referred to as "taxpayer") responses and significant events that occur during the course of an assignment ~~(Form BOE-414-Z, Exhibit 25)~~. Completion of ~~the~~this form is mandatory for all audit assignments, including reaudits and claims for refund. It should be kept current and professionally written as it will become a permanent part of all working papers and is subject to disclosure under the Public Records Act. When the audit is complete, the 414-Z should be converted to a PDF file and placed in the *Forms* subfolder of the audit case folder. ~~When needed, the assignment status report may be used to provide a written record summarizing what procedures have been completed and what procedures remain to be completed (Form BOE-414-Z1, Exhibit 25A).~~

~~USE OF FORM BOE–414–Z 0221.06~~

A record of contacts, ~~and~~ requests and audit activities is essential to develop a history of staff actions and taxpayer responses (i.e., a chronology). Form BOE-414-Z should include all requests made to a taxpayer, the reason for such requests, and the taxpayer's response to the request. All testing procedures, audit milestones, and significant events should be recorded. Form BOE-414-Z should document any taxpayer obstructions to the audit process and any conflicts that may arise between BOE staff and the taxpayer. Staff should be prepared to justify the auditor's or supervisor's actions in the appeals process, and a complete Form BOE-414-Z should provide the necessary documentary evidence to support the reasonableness of the auditor's or supervisor's actions taken. ~~Completion of Form BOE-414-Z is mandatory for all audit assignments. Form BOE-414-Z should be a permanent part of all working papers, and as such, is subject to the Public Records Act. The form should also be used when working petitions or claims for refund.~~

PREPARATION OF FORM BOE-414-Z 0221.04

Staff should use the 414-Z Program when preparing this form. Generally, any auditor, Computer Audit Specialist, supervisor, and District Principal Auditor assigned to the case are required to make entries on the BOE-414-Z. The following items must be recorded:

Contacts

Any entry that cites a new contact must include the person's name, address (if different from the taxpayer), phone number, and email address if available. In addition to the items below, any other relevant contacts or events should also be documented:

- Phone contacts – Include the contact person, that person's title or position with the taxpayer, and what was discussed and/or agreed to. When indicating the person contacted, the term "taxpayer," "TP," or his/her title alone should not be used.
- Appointments made – Record the date, location, time, and purpose of the appointment.
- Appointments cancelled or rescheduled – Document which person requested the change and the reason for the request.

- Correspondence - Record all letters, memorandums, publications, etc. given to and received from the taxpayer and the subject matter of the correspondence. Letters and memos should not be copied directly into the BOE 414-Z.
- Emails – A summary of each email contact should be recorded. Emails that contain audit documentation or discussions/agreements relevant to the audit should be included with the audit as memo schedules. Emails should not be copied directly into the BOE-414-Z.
- Request for Computer Audit Specialist (CAS) – The date and the name of the CAS first contacted by the auditor and the type of e-record assistance requested should be documented.

Record and Document Requests

- Record requests – Record all requests given to the taxpayer, including, but not limited to, those for partnership agreements, corporate minutes, waivers, XYZ letters or other supporting documents, and the deadlines given.
- Information/Document Request (IDR) – Record all information document requests (IDRs) issued to the taxpayer including the IDR number, due date, supervisor approval, and any follow-up by the auditor.
- Audit Findings Presentation Sheets (AFPS) – Record the date the AFPS was presented to the taxpayer, a brief description of what was discussed, the due date for the taxpayer to respond, and any follow-up by the auditor.

Audit Plan, Activity, and Testing Procedures

- General Audit Plan - Document the date it was discussed with and approved by the audit supervisor, the date it was discussed with, signed by, and provided to the taxpayer, and any changes to the plan; budgeted hours should not be recorded.
- Audit Milestones - Record milestones as they occur. For example, the completion of the verification of a claimed deduction. In audits involving multiple auditors, each should document their respective areas of responsibility.
- Audit Status Meetings – Date held, summary of discussion, and any future action required.
- Testing Procedures – Record the date the BOE-472, *Audit Sampling Plan*, was discussed with taxpayer, agreed upon testing procedures, and the contact person agreeing to the procedures.
- Audit Working Papers (AWPs) - Record which working papers were provided and the dates furnished to the taxpayer.
- Prior Audit Percentage of Error (PAPE) – Record the date PAPE was discussed with the taxpayer, (if eligible), the date approval was requested, and the date of approval by DPA.
- Managed Audit Program (MAP) – Record the date the participation agreement was provided to and signed by the taxpayer, the agreed upon procedures, and deadlines, dates of review, etc.

Waiver of Limitations – (AM section 0215.00)

The following should be documented:

- The reason for the waiver request.
- Date the waiver was provided to and signed by the taxpayer.
- Date the auditor received the completed waiver form.
- Date executed waiver was provided to office designee to be recorded in IRIS.

Computer Audit Specialist (CAS) Responsibility

- Pre-Audit Conference – Record date and the procedures agreed to by taxpayer (provide name with whom discussed) and auditor.
- Data Requests – Record date requested, to whom the request was made, the format requested, and the date the data was requested by.
- Data Processing and Sampling Characteristics– Record the date(s) that data is validated and reconciled and the date sampling characteristics are discussed with taxpayer.
- Documents and Schedules – Record the date(s) sampling data was provided to the auditor.

Supervisor Responsibility

The supervisor must regularly review Form BOE-414-Z to ensure it meets the guidelines noted in this section. ~~In addition,~~ T~~t~~he supervisor should document the following on Form BOE-414-Z:

- Taxpayer Contacts - Correspondence, phone contacts, and emails with taxpayer in accordance with the guidelines in this section.
- Auditor Support – Guidance provided to the auditor during the audit process.
- Visits to Taxpayer's Location – Record the date, purpose of the visit, and what was accomplished.
- Audit Review – Date reviewed and forwarded to Audit Control or, if warranted, reason audit returned to auditor for correction/clarification.
- Non-concurred Audits – Date of discussion with taxpayer and date "Results of Discussion with Taxpayer" documented in audit.

District Principal Auditor Responsibility

- Taxpayer Contacts - Correspondence, phone contacts, and emails with taxpayer in accordance with the guidelines above.
- Aged Audits – Date of review and any guidance provided.
- 10-Day Discussions – Date of discussion with taxpayer and results. Also, any correspondence and reports generated from this meeting should be recorded.

~~The following list of items is intended to provide some examples of activities or events that require an entry on Form BOE-414-Z, *Assignment Contact History*:~~

- ~~Phone Contacts: Include the number called if not already recorded on the contact history, who was contacted, that person's title and/or position with the taxpayer, what was discussed, what was agreed to, etc. When indicating the person contacted, the term "taxpayer," "TP," or his/her title alone should not be used. Instead, indicate the person's name and title on the history report.~~
- ~~Appointments Made: Record date, location, and time of appointment.~~
- ~~Cancelled or Postponed Appointments: Record the name of the person requesting cancellation or postponement and the reasons for all requests.~~
- ~~Correspondence: Record all letters, memorandums, publications, etc. received or sent. Include the author's name, date, and the subject matter of the correspondence.~~

~~• Testing Procedures: Record the date, the agreed upon testing procedures and the person's name agreeing to the proce Information Requests: Record all requests given to~~

~~the taxpayer, such as requests for partnership agreements, corporate minutes, XYZ letters or other supporting documentation. Also include deadlines given to the taxpayer for providing the information.~~

~~• Waiver of Limitations: When an auditor believes it is necessary to request a Waiver of Limitation (Form BOE–122) (see AM sections 0215.00 — 0215.30) from the taxpayer, record the reason for such request, the date Form BOE–122 was approved by the audit supervisor (see AM section 0215.16), the date the waiver was mailed or hand delivered to the taxpayer, the date the taxpayer signed the form, and the date when the taxpayer returned a copy of the signed waiver form.~~

~~• Managed Audit Program (AM sections 0435.00 — 0435.20): Record the date the participation agreement (Form BOE–526) was provided to, and signed by, the taxpayer, the agreed procedures and deadlines, date(s) of reviews, etc.~~

~~USE OF FORM BOE–414–Z1 0221.09~~

~~Certain circumstances may warrant a written record of the status of an assignment at some point in time. This may be particularly true of training assignments, long term complex audits, or cases involving sensitive issues. Supervisors may use their discretion in requesting the auditor to complete Form BOE–414–Z1, *Assignment Status Summary*. The use of the status report should be limited to those situations where it adds value to the decision making process. See AM sections 0222.10 — 0222.20 for examples of sensitive issues that may be recorded on Form BOE–414–Z1.~~

MISCELLANEOUS 0222.00

REVENUE AND TAXATION CODE SECTION 7091 — IF ~~AN AUDIT IS~~STAFF'S ACTIONS WERE UNREASONABLE~~ OR NOT SUBSTANTIALLY JUSTIFIED~~ 0222.10

RTC section 7091 provides that a taxpayer may be entitled to reimbursement for fees and expenses related to a hearing before the Board if the Board finds that the action taken by ~~the board~~BOE staff was unreasonable ~~or~~ i.e., not substantially justified. It is anticipated that some taxpayers may seek reimbursement for the fees and expenses which they incur during the course of an audit on the basis that the staff made unreasonable demands, had no justifiable basis for asserting tax, or conducted the audit in an arbitrary or unprofessional manner. Consequently, it is very important that staff document their actions. Such documentation should be included on Form BOE–414–Z ~~and Form BOE-414-Z1~~ (see AM section~~s~~ 0221.~~06~~ 04~~0221.09~~). The documentation should include all requests made to a taxpayer and the reason for such requests. It should also include any demands or obstructions to the audit process presented by a taxpayer and any conflicts that may arise between staff and the taxpayer. It is important to keep in mind that the staff may be required to justify their actions before the Board at a later date, and, therefore, the staff must have documentary evidence to support the reasonableness of their actions.

ERROR OR DELAY BY ~~BOARD~~BOE OR DMV EMPLOYEE 0222.20

Pursuant to Regulation 1703, subsection (b)(1)(E), the ~~Board~~BOE, in its discretion, may relieve all or any part of the interest imposed on a person by RTC sections 6480.4, 6480.8, 6513, 6591 and 6592.5 for tax liabilities arising during taxable periods on or after July 1, 1999. ~~Effective January 1, 2002,~~ T~~t~~he ~~Board~~BOE, may, in its discretion, relieve all or any part of interest imposed by any provision of the Sales and Use Tax Law. Such relief may be granted under either of the following circumstances:

1) Where the failure to pay tax is due in whole or in part to an unreasonable error or delay by an employee of the ~~Board~~BOE acting in his or her official capacity.
2) Where failure to pay use tax on a vehicle or vessel registered with the DMV was the direct result of an error by the DMV in calculating the use tax.

An error or delay shall be deemed to have occurred only if no significant aspect of the error or delay is attributable to an act of, or a failure to act by, the taxpayer.

Any person seeking relief under Regulation 1703, subsection (b)(1)(E), shall file with the ~~Board~~BOE a statement under penalty of perjury setting forth the facts on which the claim for relief is based and any other information that the ~~Board~~BOE may require. For this reason, it is very important to document the cause for any delays occurring during the course of the audit. Such documentation should be included on Form BOE–414–Z ~~and Form BOE-414-Z1~~ (see AM section~~s~~ 0221.00~~ & 0221.09~~).

AGED AUDITS AND OTHER PERFORMANCE MEASURES 0222.30

~~Board~~BOE management may, from time to time, set or adjust audit program-level performance measurements. These performance measurements are only for internal evaluation purposes. For example, aged audits (how many months and/or hours an audit is in process) is one of the performance measurements the ~~Board~~BOE uses to evaluate district offices. These performance and evaluation measurements are not designed, intended, or suitable ~~for~~ to be used as decision factors to close an audit in process. Districts must not use these performance measurements as the sole criteria to close an audit in process.

RTC section 7087 provides that the total amount of revenue collected or assessed shall not be used to evaluate employees or to impose revenue quotas or goals, other than quotas or goals with respect to accounts receivable.

CORRESPONDENCE WITH TAXPAYER'S REPRESENTATIVES 0222.40

When requested by the taxpayer, copies of all correspondence with the taxpayer should be sent to the representative. When a representative is involved with an audit, petition, or claim for refund, there is an expectation that the representative will receive copies of correspondence sent to the taxpayer even though a specific request has not been made. When in doubt, staff should confirm with the taxpayer and/or the taxpayer's representative whether or not copies should be sent to the respective representative.

When correspondence is sent to taxpayers regarding ~~regular~~ audits, reaudits, petitions, appeals, refunds, compliance issues, collection cases or other correspondence, staff should review the taxpayer files for taxpayer representative authorizations and ensure that the representative is copied accordingly on all correspondence. All IRIS and non-IRIS correspondence, notices, statements or reports, must also be copied to the taxpayer's representative. IRIS generated letters provide additional fields within the letters to manually enter taxpayer's representative's information.

In IRIS, staff can check for a specific representative or listing of representatives by going to the "APL MH" screen and following these directions:

In IRIS, input the taxpayer's account number after the "APL PR" jump code. This brings up a screen "Browse Case Preliminary Review." From this screen, look up the appeals' case number.

Next, place a "V" (for View) in the field next to the appropriate case with "PED RED" or "REF REF" in the "Case Type" and "Sub Type" columns and press "Enter." This brings up "APL MH", "Maintain/Inquire Case Header" screen.

When viewing the "APL MH" screen, directly below the "TP Name" field is the "TP Agent" field. If there are no representatives on record, this field will be blank. If there is at least one taxpayer representative, the representative's name will be displayed here. Place an "M" in the "TP Agent" field to bring up a list of all taxpayer representatives.

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Form BOE–767 – Tax, Penalty and Interest Calculation .....Exhibit 2
Form BOE–414-M – Transcript of Returns…….....Exhibit 3
Form BOE–414–L — Section II, Correct Allocation .....Exhibit 4
Form BOE—414-L, Page 3 .....Exhibit 5
Form BOE–414–B—Field Billing Order .....Exhibit 6
Front of "No Change" Audit Report ……Exhibit 7
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Allocation of Local Sales & Use Tax —
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FORM BOE—414A – REPORT OF FIELD AUDIT
PAGE 1

EXHIBIT 1

STATE BOARD OF EQUALIZATION

REPORT OF FIELD AUDIT

[X] Sales and Use Taxes [ ]

SOURCE	ACCOUNT NUMBER	CASE ID	STATUS	
1	SY EA 108-123456	987654	[X] Active [ ] C.O.	0-01 1-01

DATE OF REPORT	AREA CODE	NAICS CODE
4/15/2014	30-011-037-0000	444190

B.A.: Same

FIRM NAME: NS Technology Company

OWNER: Thomas Smith

M.A.: 3000 Katella Ave

Anaheim, CA 92801

EXTRA COPIES

STANDARD BILL NOTES

JURIS.	AMOUNT	JURIS.	AMOUNT
STATE			
LOCAL			
COUNTY			

LIABILITY (OR CREDIT) DISCLOSED BY AUDIT

PERIOD		TAX	INTEREST TO - 4/30/2014	PENALTY * *	TOTAL
1/1/2011	TO 12/31/2013				
	TOTAL CREDITS/DEBITS:	4,477.00			4,477.00
	PAYMENTS				0.00
					0.00
					0.00
	BALANCE				4,477.00

* *

ANALYSIS OF MEASURE OF TAX BY CLASS OF TRANSACTION

COPY TO TAXPAYERS

Copies Sent to:

Jack Chan, CPA TIN 123456789
9000 Wilshire Blvd., Suite# 1400
Los Angeles, CA 90017

(SEE 414A ATTACHMENT)

N-A	VAR. BLURB	SCHED	NAME OF AUDITOR	APPROVED BY	APPROVAL DATE	INTEREST CALC. DATE	BATCH
			C Williams				

Analysis of Measure of Tax by Class of Transaction and Tax Estimate

414 -A2
SY EA 108-123456
C Williams
3/13/2014

R	C	A	B	C	D	E	F	G
		ERROR DESCRIPTION	ERROR CODE	SLCST	SCHL	NCFP	OCTA	Tax Total
1		DISALLOWED CLAIMED RESALES BASED ON STATISTICAL SAMPLING	0403	51,104	17,349	12,853	26,184	
2		DISALLOWED CLAIMED LABOR EXEMPTION BASED ON ACTUAL EXAMINATION	0601	1,260	272	31	897	
3		UNREPORTED EX-TAX PURCHASES OF SUPPLIES BASED ON ACTUAL EXAMINATION	0201	1,542	489	454	1,048	
4		TRANSFER FROM EX-TAX INVENTORY FOR OWN USE BASED ON ACTUAL EXAMINATION	0202	1,417	578	733	684	
5		UNREPORTED SALES TO EMPLOYEES BASED ON ACTUAL EXAMINATION	0104	1,100	300	400	700	
6		UNREPORTED SALE OF CAPITAL ASSET BASED ON ACTUAL EXAMINATION	1602	1,600	1,600			
			Measure Total:	58,023	20,588	14,471	29,513	0
			Tax Rate	0.0725	0.0025	0.005	0.005	
		DISALLOWED CLAIMED RESALES BASED ON STATISTICAL SAMPLING	0403	3,705	43	64	131	3,943
		DISALLOWED CLAIMED LABOR EXEMPTION BASED ON ACTUAL EXAMINATION	0601	91	1	0	4	96
		UNREPORTED EX-TAX PURCHASES OF SUPPLIES BASED ON ACTUAL EXAMINATION	0201	112	1	2	5	120
		TRANSFER FROM EX-TAX INVENTORY FOR OWN USE BASED ON ACTUAL EXAMINATION	0202	103	1	4	3	111
		UNREPORTED SALES TO EMPLOYEES BASED ON ACTUAL EXAMINATION	0104	80	1	2	4	87
		UNREPORTED SALE OF CAPITAL ASSET BASED ON ACTUAL EXAMINATION	1602	116	4	0	0	120
			Tax Total:	4,207	51	72	147	4,477

State Board of Equalization - Sales and Use Tax Department

Acct: SY EA 108-123456 Case ID: 987654 ☐ LEGAL ☐ TAX CLEARANCE

I.D.	CLASS	AUDIT MADE BY	HOURS
6789	3	C Williams	36

Office Making Audit Code: EA

Cell: 13 Recovery Group Year: E 1213

Supervisor: S Johnson

Reviewed By: E. Young

36 TOTAL HOURS Date of Review: 4/21/2014

Reported Measure of State Tax? $1,003,793

Name Of Taxpayer Rep? Thomas Smith Title of Taxpayer Rep? Owner

Taxpayer Reps Phone? (949) 555-9999 Click for Online Letter Series

Did Taxpayer Concur? N A copy of this report was mailed with BOE-0079-A letter? If not, explain below

Local Tax Worksheet Attached?	Y	Transit Reallocation Attached?	N
Professional Tax Preparer?	N	Tax Clearance requested?	N
Credit Involved?	N	Claim secured from taxpayer?	N
Claim Previously submitted to HQ?	N	Business with 50 or more employees?	N
Wholesaler/Importer of Tobacco?	N	Underground Storage Tank? (If 'Y' add GC)	N
Seller Of Tires?	N	Does this business sell televisions, computers, or portable DVD players?	N

Publications 17, 70 & 76 Given To Taxpayer? 17 Y 70 Y 76 Y

Publications provided: Publications 17,70,76

Cigarette Indicia Inspection: None sold

Related Accounts ? (If 'Y', Add GC) N

Special Instructions

If close-out, give name and account no. of successor

Date BOE-523 was prepared clearing delinquencies for returns not filed

Waiver Attached? Y

Waiver Period 1/1/2011 To 6/30/2011 Expires 10/31/2014

General Audit Comments

Schedule: 414A-P4
Account: SY EA 108-123456
Auditor: C. William
Date: 4/15/14

TYPE OF BUSINESS ORGANIZATION (TBO)

Sole proprietorship. Thomas Smith, owner. Start date: 11/01/2010. No prior audit.

CLASS OF BUSINESS (COB)

The taxpayer is a retailer of electrical supplies.

BOOKS AND RECORDS (BR)

The taxpayer maintains a double entry set of books and records supported by source documents. The taxpayer maintains books and records in-house using computerized software known as Fast Ledger. Books and records are adequate for sales and use tax purposes. Federal income tax returns were prepared by Max Accounting Services: 1205 Merlot Lane, Napa, CA 94558. A review of sales invoices indicated that sales tax reimbursement was added to the selling price of taxable sales.

Franchise Tax Board (FTB)

N/A

Penalty (PEN)

The negligence penalty is not recommended. No negligence or intentional disregard of the Sales and Use Tax law and regulations is noted. This is taxpayer's first audit. The total underreported taxable measure is less than 6% of reported taxable measure. During the audit, the taxpayer was cooperative in assisting the auditor. The taxpayer agreed to provide employee training and implement preventative measure to avoid having these errors recur.

Discussion with Taxpayer (DWT)

Results of discussion of audit findings with Mr. Thomas Smith, owner, are summarized as follows:

Item	Agree	Disagree	Noncommittal
1. Disallowed Resales		$51,104	
2. Disallowed Claimed Labor	$1,260		
3. Unreported Paid Bills	$1,542		
4. Inventory Withdrawal	$1,417		
5. Sales Made to Employees	$1,100		
6. Sale of Fixed Asset	$1,600		

General Audit Comments

Schedule: 414A-P4
Account: SY EA 108-123456
Auditor: C. William
Date: 4/15/14

Taxpayer's Position (TP)

Mr. Smith indicated that it is not fair to consider as errors the two transactions for which the customers did not respond to the XYZ letters. He stated that tracking down the customers is impossible as they are no longer in business. Also, Mr. Smith informed the auditor that his sales representative, John Mayer, specifically remembers taking a resale certificate from an employee of Messenger Tooling, Inc. He believes that the resale certificate was misplaced, and he needs more time to locate it.

Auditor's Position (AP)

The taxpayer disagreed on two transactions disallowed in the resale test: Messenger Tooling, Inc. for the amount of $60, and Color Service Inc. for the amount of $3. The transactions were disallowed because 1) taxpayer did not maintain resale certificates for these customers, 2) the customers did not respond to the XYZ letters, 3) a review of the customer’s business does not readily indicate that they are in the business of selling similar merchandise, and 4) the merchandise purchased were not in bulk, as most retailers would purchase for resale. The taxpayer was given more than a month to provide support for the questioned items.

Local Tax Allocation (LTA)

Taxpayer operates from two locations in California: Napa and Anaheim. A review of books and records indicated that no local tax reallocation is necessary. Each error assessed in the audit was allocated on actual basis.

Nexus (NEX)

Per audit examination, sales made to the Napa and Anaheim or shipped to Napa and Orange county were taxed at the respective county rate. Sales shipped to other districts were taxed at the state rate as the taxpayer is not engaged in business in any other district. Each error assessed in the audit was allocated on actual basis.

FORM BOE—767 – TAX, PENALTY AND INTEREST CALCULATION EXHIBIT 2

BOE-767 (12-98)

TAX, PENALTY AND INTEREST CALCULATION

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

IPSSC1M1 - AUD
IPSSC1P1 - PI

Case 987654 Acct: SY EA 108-123456 Report Type AUD Audit Period 1/1/2011 To 12/31/2013

Tp: Thomas Smith Own: [redacted] DBA: [redacted]

Result Nbr: [redacted] Status: Working Billing Period 1/1/2011 To 12/31/2013

DUAL: Acct:

Include credit periods in the Tax Running Balance?	Y
Include credit periods in the Offset Running Balance?	Y
Allow credit interest on Payments?	N
Calculate interest on credit periods for Offsets at the debit rate?	Y
Calculate credit interest on credit periods?	Y
Interest Thru Date:	4/30/2013
Penalties to be applied for all Periods:	

Click to View Penalty Acronyms

Penalty Comments:

Period	Tax	Tax CR Int Ind	Offs Cr Int Ind	Penalty Cde	% of Tax	Penalty Amount	Penalty Cde	% of Tax	Penalty Amount
	[redacted]	Y	Y			[redacted]			[redacted]
		Y	Y						
		Y	Y						
		Y	Y						
		Y	Y						
		Y	Y						
		Y	Y						
		Y	Y						
		Y	Y						
		Y	Y						
		Y	Y						
		Y	Y						
		Y	Y						
		Y	Y						

BOE-414-M Sales and Use Tax

414M
SY EA 108-123456
C Williams
04/15/14

R C	A	B	C	F	M	H	I	J	K	E	G	L	D
REF	PERIOD	START DATE	END DATE	Gross Sales	Ex-Tax Purchases	Non Taxable Transactions	Taxable Transactions	State Tax	County Tax	Local Tax	District Tax	Total Tax	Reported Tax
1	1Q-11	01/01/11	03/31/11	120,050	0	74,432	45,618	3,193	114	456	228	3,991	3,989
2	2Q-11	04/01/11	06/30/11	189,358	0	102,254	87,104	6,097	218	871	436	7,622	7,624
3	3Q-11	07/01/11	09/30/11	176,911	0	106,146	70,765	4,954	177	708	354	6,193	6,191
4	4Q-11	10/01/11	12/31/11	234,898	0	145,637	89,261	6,248	223	893	447	7,811	7,814
5	1Q-12	01/01/12	03/31/12	211,381	0	118,373	93,008	6,511	233	930	465	8,139	8,140
6	2Q-12	04/01/12	06/30/12	230,164	0	131,194	98,970	6,928	247	990	495	8,660	8,657
7	3Q-12	07/01/12	09/30/12	199,571	0	109,764	89,807	6,286	225	898	449	7,858	7,860
8	4Q-12	10/01/12	12/31/12	209,473	0	125,683	83,790	5,865	209	838	419	7,331	7,332
9	1Q-13	01/01/13	03/31/13	188,696	0	94,348	94,348	6,840	236	943	472	8,491	8,490
10	2Q-13	04/01/13	06/30/13	205,750	0	119,336	86,414	6,265	216	864	432	7,777	7,779
11	3Q-13	07/01/13	09/30/13	216,921	0	136,660	80,261	5,819	201	803	402	7,225	7,228
12	4Q-13	10/01/13	12/31/13	210,340	0	119,893	90,447	6,557	226	904	452	8,139	8,136
			Total:	2,393,513	0	1,383,720	1,009,793	71,563	2,525	10,098	5,051	89,237	89,240
				<12H>									<12G>
				<12I>									

NOTE: This transcript represents an electronic download of a BOE-414 transcript from IRIS ordered from a TSO subsystem and converted to an Excel spreadsheet. The auditor will first obtain a filename in IRIS before importing the transcripts into the audit workbook.

BOE-414-M Schedule of Deductions

414M - 1
SY EA 108-123456
C Williams
04/15/14

R C	A	B	C	F	E	D
REF	PERIOD	START DATE	END DATE	Sales to Other Retailers for Resale	Nontaxable Labor	Sales in Interstate or Foreign Commerce
1	1Q-11	01/01/11	03/31/11	71,230	1,201	2,001
2	2Q-11	04/01/11	06/30/11	101,780	474	0
3	3Q-11	07/01/11	09/30/11	102,902	885	2,359
4	4Q-11	10/01/11	12/31/11	145,637	0	0
5	1Q-12	01/01/12	03/31/12	115,555	0	2,818
6	2Q-12	04/01/12	06/30/12	128,892	0	2,302
7	3Q-12	07/01/12	09/30/12	109,764	0	0
8	4Q-12	10/01/12	12/31/12	122,716	1,571	1,396
9	1Q-13	01/01/13	03/31/13	91,989	472	1,887
10	2Q-13	04/01/13	06/30/13	116,593	0	2,743
11	3Q-13	07/01/13	09/30/13	135,575	1,085	0
12	4Q-13	10/01/13	12/31/13	117,614	1,578	701
			Total:	1,360,247	7,266	16,207
				<12A>		

BOE-414-M STJ Schedules

414M - 2
SY EA 108-123456
C Williams
04/15/14

R C	A	B	C	D	E
REF	PERIOD	START DATE	END DATE	NCFP	OCTA
1	1Q-11	01/01/11	03/31/11	137	91
2	2Q-11	04/01/11	06/30/11	253	183
3	3Q-11	07/01/11	09/30/11	209	145
4	4Q-11	10/01/11	12/31/11	268	179
5	1Q-12	01/01/12	03/31/12	265	200
6	2Q-12	04/01/12	06/30/12	287	208
7	3Q-12	07/01/12	09/30/12	269	180
8	4Q-12	10/01/12	12/31/12	230	189
9	1Q-13	01/01/13	03/31/13	274	198
10	2Q-13	04/01/13	06/30/13	255	177
11	3Q-13	07/01/13	09/30/13	245	157
12	4Q-13	10/01/13	12/31/13	258	194
			Total:	2,950	2,101

FORM BOE—414L, SECTION II, CORRECT ALLOCATION
LOCAL TAX REALLOCATION

EXHIBIT 4

BOE-414-L REV. 6 (12-98)

BOARD OF EQUALIZATION
AUDITOR'S WORKSHEET -- LOCAL TAX ALLOCATION

PAGE:

OWNER: THOMAS FREDRICK SMITH
ACCOUNT NO: SR Y AC 111 234234 CASE ID: 11111
AUDIT MADE BY: J. C. CONLON DATE: September 7, 2014

TAXING JURISDICTION AND RELATED AREA CODES

998 = Unincorporated Area of County
999 = Countywide

I. AS REPORTED	TOTAL	010090000 FREMONT	190500000 LOS ANGELES	340600000 SACRAMENTO		
TOTAL:	58,474	9,567	36,600	12,300		

II. CORRECT ALLOCATION	FIRST KNOWLEDGE OF IMPROPER DISTRIBUTION OBTAINED ON (DATE) 8/18/13			EXPLAIN SOURCE -- AUDIT		
(COMMENCING DATE OF						
4Q-12	5,251	1,800	1,650	1,801		
1Q-13	4,672	200	4,250	222		
2Q-13	5,262	850	4,250	162		
III. ALLOCATION OF TAX CHANGE PER AUDIT						
ACTUAL BASIS-LOCAL						
%BASIS-LOCAL						
TOTAL-LOCAL						
ACTUAL BASIS-COUNTY						
%BASIS-COUNTY						
TOTAL-COUNTY						

Explanation: Taxpayer reported Fremont local tax as Sacramento local tax and vice-versa. (To appear in left-hand column).

Section III, should be completed using the electronic 414L, page 3 worksheet (Exhibit 5, page 1) in the BOE Audit Program (see **AM section 0209.06**). It is the **preferred form** for audits **only** requiring a local tax allocation based on audit findings. Click on the 414L Pg. 3 button under the Template Menu in Excel and complete the 414L Pg. 3

When an audit requires a local tax reallocation, as indicated in **Section II, *Correct Allocation***, this traditional 414L Form must be used (see **AM section 0209.06**).

Errors made by a taxpayer in a local tax allocation should be adjusted for the last three quarters. It is not necessary to show the amount of the adjustment. Only the correct allocation should be shown in Section II.

A complete explanation of the basis for any reallocation adjustments must be made in the left-hand column of the worksheet.

To maintain an accurate allocation history, adjustments use a quarterly reporting basis. Therefore, adjustments entered in Section II, should be entered by quarter following the pattern used in Section 1.

SY

BREAKDOWN OF LOCAL TAX IN DOLLARS

Create Local Tax Summary Schedule

414L Page 3
SY EA 108-123456
C Williams
4/15/14

R C	A	B	C	D	E	F	G	H	I	J	K	L	M	N
		<12A>	<12B-1>	<12C-1>	<12D>	<12E>	<12F>	((B : G) * .01)	(H * .025)	<Sch Ref>	((J : J) * .01)	(K * .025)	(H + K)	(I + L)
REF.	+ - A To Z Z To A ? Taxing Jurisdiction	Disallowed Resales - Statistical Sampling	Disallowed Claimed Labor Exemption - Actual Basis	Unreported Paid Bills Subject to Use Tax - Actual Basis	Unreported Withdrawal from Resale Inventory for Self-Consumption - Actual Basis	Unreported Sales to Employees - Actual Baisis	Unreported Sale of Capital Asset - Actual Basis	+ - Total Actual Local Tax	Total Actual County Tax	Percentage Basis Error	+ - Total Percentage Basis Local Tax	Total Percentage Basis County Tax	Total Local Tax	Total County Tax
1	Napa <28052>	12,853	31	454	733	400	1,600	161	40				161	40
2	Anaheim <30011>	26,184	897	1,048	684	700		295	74				295	74
3														
4	Actual Item Subtotal (1 : 2)	39,037	928	1,502	1,417	1,100	1,600	456	114				456	114
5	Projected Item Subtotal (1 : 2)										0	0	0	0
6	Total (4 + 5)	39,037	928	1,502	1,417	1,100	1,600	456	114	0	0	0	456	114
								<414L>	<414L>					

Use of the electronic 414L, page 3 worksheet in the BOE Audit Program is the preferred form for audits only requiring a local tax allocation based on audit findings. See AM section **0209.24**.

BREAKDOWN OF LOCAL TAX IN DOLLARS SUMMARY

414L
SY EA 108-123456
C Williams
4/15/14

R C	A	B	C	D	E	F	G
		<414 L PG. 3>	<414 L PG. 3>	<414 L PG. 3>	<414 L PG. 3>	(B + D)	(C + E)
REF	Taxing Jurisdiction	Total Actual Local Tax	Total Actual County Tax	Total Percentage Basis Local Tax	Total Percentage Basis County Tax	Total Local Tax	Total County Tax
1	Napa <28052>	161	40			161	40
2	Anaheim <30011>	295	74			295	74
3							
4	Actual Item Subtotal (1 : 2)	456	114			456	114
5	Projected Item Subtotal (1 : 2)			0	0	0	0
6	Total (4 + 5)	456	114	0	0	456	114

FORM BOE—414B – FIELD BILLING ORDER
PAGE 1

EXHIBIT 6

STATE BOARD OF EQUALIZATION

FIELD BILLING ORDER [X] Sales and Use Taxes [ ]

SOURCE	ACCOUNT NUMBER	CASE ID	STATUS	
1	SY EA 108-123456	987654	[X] Active [ ] C.O.	0-01 1-01

B.A.	DATE OF REPORT	AREA CODE	NAICS CODE
Same	4/15/2014	30-011-037-0000	444190

FIRM NAME	EXTRA COPIES	STANDARD BILL NOTES
NS Technology Company		

OWNER: Thomas Smith

M.A.: 3000 Katella Ave
Anaheim, CA 92801

JURIS.	AMOUNT	JURIS.	AMOUNT
STATE			
LOCAL			
COUNTY			

LIABILITY (OR CREDIT) DISCLOSED BY AUDIT

PERIOD		TAX	INTEREST TO - 4/30/2014	PENALTY * *	TOTAL
1/1/2011 TO	12/31/2013				
	TOTAL CREDITS/DEBITS:	4,477.00			4,477.00
	PAYMENTS				0.00
					0.00
					0.00
	BALANCE				4,477.00

* *

ANALYSIS OF MEASURE OF TAX BY CLASS OF TRANSACTION

DO NOT ENTER ANYTHING HERE, ENTER ON 414A (FRONT) PAGE 2.

COPY TO TAXPAYERS

Copies Sent to:

Jack Chan, CPA TIN 123456789
9000 Wilshire Blvd., Suite# 1400
Los Angeles, CA 90017

(SEE 414A ATTACHMENT)

N-A	VAR. BLURB	SCHED	NAME OF AUDITOR	APPROVED BY	APPROVAL DATE	INTEREST CALC. DATE	BATCH
			C Williams				

414 -A2
SY EA 108-123456
C Williams
4/15/2014

Analysis of Measure of Tax by Class of Transaction and Tax Estimate

R	C	A	B	C	D	E	F	G
		ERROR DESCRIPTION	**ERROR CODE**	**SLCST**	**SCHL**	**NCFP**	**OCTA**	**Tax Total**
1		UNREPORTED SALE OF A FORKLIFT	1602	1,600	1,600			
			Measure Total:	1,600	1,600	0	0	0
			Tax Rate	0.0725	0.0025	0.005	0.005	
		UNREPORTED SALE OF A FORKLIFT	1602	116	4	0	0	120
			Tax Total:	116	4	0	0	120

State Board of Equalization - Sales and Use Tax Department

Acct: SY EA 108-123456 Case ID: 987654 ☐ LEGAL ☐ TAX CLEARANCE

I.D.	CLASS	AUDIT MADE BY	HOURS
6789	3	C Williams	2

Office Making Audit Code: EA

Cell: 13 Recovery Group Year: E 1213

Supervisor: S Johnson

Reviewed By: E. Young

2 TOTAL HOURS Date of Review: 4/21/2014

Reported Measure of State Tax? $1,003,793

Name Of Taxpayer Rep? Thomas Smith Title of Taxpayer Rep? Owner

Taxpayer Reps Phone? (949) 555-9999 Click for Online Letter Series

Did Taxpayer Concur? Y A copy of this report was mailed with BOE-0235-C letter? If not, explain below

Local Tax Worksheet Attached?	Y	Transit Reallocation Attached?	N
Professional Tax Preparer?	N	Tax Clearance requested?	N
Credit Involved?	N	Claim secured from taxpayer?	N
Claim Previously submitted to HQ?	N	Business with 50 or more employees?	N
Wholesaler/Importer of Tobacco?	N	Underground Storage Tank? (If 'Y' add GC)	N
Seller Of Tires?	N	Does this business sell televisions, computers, or portable DVD players?	N

Publications 17, 70 & 76 Given To Taxpayer? 17 Y 70 Y 76 Y

Publications provided: Publications 17,70,76

Cigarette Indicia Inspection: None sold

Related Accounts ? (If 'Y', Add GC) N

Special Instructions

If close-out, give name and account no. of successor

Date BOE-523 was prepared clearing delinquencies for returns not filed

Waiver Attached? N

Waiver Period To Expires

General Audit Comments

Schedule: 414A-P4
Account: SY EA 108-123456
Auditor: C. William
Date: 4/15/14

CLASS OF BUSINESS (COB)

Sole proprietorship. Thomas Smith, owner. Start date: 11/01/2010. No prior audit.

EXPLANATION OF TAX CHANGE (ETC)

A memo received from the Customer Service Center indicated that the taxpayer sold a forklift with no tax charged.

FRONT OF "NO CHANGE" AUDIT REPORT **EXHIBIT 7**

BOE-414-C (FRONT) REV. 24 (6-13)

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

REPORT OF EXAMINATION OF RECORDS - SALES AND USE TAXES

(* BLOCKS ARE FOR HEADQUARTERS USE)

NAME OF TAXPAYER: Delia Sunshine	ACCOUNT NUMBER: SR AR 108-999999		CASE ID: 23456
BUSINESS ADDRESS FOR UNREGISTERED ACCOUNTS:	☐ CHECK IF LEGAL	DATE OF REPORT: 00/00/0000 / R.G. YEAR: 2013	R.G. CODE: A
NAME AND TITLE OF REPRESENTATIVE: William McDonald, President	PERIOD EXAMINED FROM: 7/1/2010 TO: 6/30/2013		O.M.A.: AC
A IS TAXPAYER'S PERMIT CORRECT? ☑ YES ☐ SEE COMMENTS	BUS. CODE: 565656 / ACTIVE C.O.: ☑ 1 ☐ 2	BOE-406 PREPARED: ☐ YES ☐ NO	ID: 945 / CLASS: 2 / AUDITOR: V.P. Gullien / HOURS: 3
CLASS OF BUSINESS: Restaurant with on-sale General Liquor License	REVIEWER:	DATE OF REVIEW:	CELL: 09
	* MO/YR TRANS.:	* PROCESSED BY:	SUPERVISOR:

VERIFICATION

B RECORDS: ☑ D.E. ☐ S.E. ☐ ADEQUATE ☐ INTERNAL CONTROLS ☐ SEE COMMENTS — LOCATION (if other than B.A.): 8550 Van Nuys Blvd., Van Nuys

C GROSS RECEIPTS

REPORTED MEASURE OF STATE TAX	MARKUP TESTS ON	OTHER ITEMS VERIFIED AS REPORTED OR INAPPLICABLE
THOUSANDS OF $: $92	☑ GROSS ☐ TAXABLE / ☐ EX TAX ☑ TAX INCLUDED	☑ CAPITAL ASSET SALES ☐ EXPENSE CREDITS

REPORTED SALES CONSISTENT WITH	FROM	TO	RATE		
☑ BOOKS ☑ INCOME TAX RETURNS ☑ CASH RECEIPTS	01/01/11	12/31/11		☐ DELIVERY CHARGES	☐ FABRICATION LABOR
☐ EXPENSES ☐ SIZE OF BUSINESS	Restaur.	-	262.00%	☐ TRADE-INS	☐ REPOSSESSIONS
☐ SALES TAX ACCRUAL ACCOUNT	Bar	-	387.00%	☐ TRANSIT TAX	☐ SEE COMMENTS

D USE TAX

☑ CAPITAL ASSET ADDITIONS	☑ CONSUMABLE SUPPLIES	☐ RENTAL EQUIPMENT	☐ PERSONAL USE
☑ INVENTORY WITHDRAWALS	☐ CHARGES TO EXPENSE	☐ ADVERTISING	☐ LOCAL USE TAX
ARE REPORTED ITEMS?	☑ ACTUAL	☐ ESTIMATED	☐ SEE COMMENTS

E DEDUCTIONS

ITEMS	CLAIMED	NETTED	TRACED INTO RECORDS FOR PERIODS	SPOT TESTED	OTHER VERIFICATION
Food	X		Mar-11		See General Comments
Sales Tax	X		Audit Period		See General Comments

F OTHER

DATE FORM BOE-523 PREPARED TO CLEAR DELINQUENCIES:

IF LOCAL TAX REALLOCATION IS INVOLVED, IS FORM BOE-414-L ATTACHED ☐ YES ☐ NO ☐ REFUND CLAIM INVOLVED - SEE COMMENTS

LIST ALL OTHER BUSINESS TAX PERMITS HELD BY TAXPAYER ON WHICH CONCURRENT AUDITS HAVE BEEN MADE:

BUSINESS WITH 50 OR MORE EMPLOYEES?	☐ YES	☑ NO
WHOLESALER/IMPORTER OF TOBACCO?	☐ YES	☑ NO
UNDERGROUND STORAGE TANK?	☐ YES	☑ NO
SELLER OF TIRES?	☐ YES	☑ NO
SELLER OF TELEVISIONS, COMPUTERS, & PORTABLE DVD PLAYERS?	☐ YES	☑ NO

☐ VERIFY TAX PAYMENTS: IF TAX PAYMENT MADE UNDER DIFFERENT PERMIT, INDICATE NUMBER:

COMMENTS REGARDING CIGARETTE INDICIA INSPECTION:

THE TAXPAYER WAS PROVIDED OR INSTRUCTED TO DOWNLOAD THE FOLLOWING:

Publications: 17: Y 70: Y 76: Y

USE REVERSE SIDE FOR ADDITIONAL COMMENTS

BACK OF "NO CHANGE" AUDIT REPORT **EXHIBIT 8**

GENERAL COMMENTS

Food Sales

The taxpayer comes under the 80-80 rule with over 80% of sales being food and over 80% of food sales being taxable. Taxpayer did not elect to separately account for the sale of take-out or to go orders of cold food products which are suitable for consumption on the premises. Food sales claimed were for items not suitable for consumption on the taxpayer's premises, i.e., whole ~~pies and~~pies and gallons of ice cream. Register tapes ~~for March~~for March 2011 were traced to the sales journal with no errors noted. No errors in Food Sales claimed were indicated.

Sales Tax Included

Sales tax is calculated automatically by the taxpayer's cash register. A spot check of the amount of tax computed and collected disclosed no errors and no excess sales tax reimbursement. Register tapes were spot checked to the sales journal entries. Total Sales per register tapes including tax were found to be recorded in the sales journal and included in Gross Receipts on the Sales Tax Returns. Sales Tax Return worksheets were examined for proper calculation of tax included. No errors were found in claimed tax included.

"NO CHANGE" PHASE OF A TAX CHANGE AUDIT

EXHIBIT 9

BOE-414-C (FRONT) REV. 24 (6-13)

STATE OF CALIFORNIA

REPORT OF EXAMINATION OF RECORDS - SALES AND USE TAXES

BOARD OF EQUALIZATION

(* BLOCKS ARE FOR HEADQUARTERS USE)

A

NAME OF TAXPAYER	ACCOUNT NUMBER: SR AC 013-000000		CASE ID
BUSINESS ADDRESS FOR UNREGISTERED ACCOUNTS.	☐ CHECK IF LEGAL	DATE OF REPORT: 5/2/2013	R.G. YEAR / R.G. CODE
NAME AND TITLE OF REPRESENTATIVE	PERIOD EXAMINED FROM: TO:		O.M.A.
IS TAXPAYER'S PERMIT CORRECT? ☐ YES ☐ SEE COMMENTS / BUS. CODE / ACTIVE C.O. ☐ 1 ☐ 2 / BOE-406 PREPARED ☐ YES ☐ NO	ID: 007 / CLASS: 2	AUDITOR: V.P. Gullien	HOURS
CLASS OF BUSINESS	REVIEWER	DATE OF REVIEW	CELL
	* MO/YR TRANS.	* PROCESSED BY	SUPERVISOR

VERIFICATION

B

RECORDS: ☐ D.E. ☐ S.E. ☐ ADEQUATE ☐ INTERNAL CONTROLS ☐ SEE COMMENTS

LOCATION (if other than B.A.)

C GROSS RECEIPTS

REPORTED MEASURE OF STATE TAX	MARK UP TESTS ON	OTHER ITEMS VERIFIED AS REPORTED OR INAPPLICABLE
THOUSANDS OF $	☐ GROSS ☐ TAXABLE / ☐ EX TAX ☐ TAX INCLUDED	☐ CAPITAL ASSET SALES ☐ EXPENSE CREDITS
REPORTED SALES CONSISTENT WITH	FROM / TO / RATE	
☐ BOOKS ☐ INCOME TAX RETURNS ☐ CASH RECEIPTS	-	☐ DELIVERY CHARGES ☐ FABRICATION LABOR
☐ EXPENSES ☐ SIZE OF BUSINESS	-	☐ TRADE-INS ☐ REPOSSESSIONS
☐ SALES TAX ACCRUAL ACCOUNT	-	☐ TRANSIT TAX ☐ SEE COMMENTS

D USE TAX

☐ CAPITAL ASSET ADDITIONS	☐ CONSUMABLE SUPPLIES	☐ RENTAL EQUIPMENT	☐ PERSONAL USE
☐ INVENTORY WITHDRAWALS	☐ CHARGES TO EXPENSE	☐ ADVERTISING	☐ LOCAL USE TAX
ARE REPORTED ITEMS ?	☐ ACTUAL	☐ ESTIMATED	☐ SEE COMMENTS

E DEDUCTIONS

ITEM	CLAIMED	NETTED	TRACED INTO RECORDS FOR PERIODS	SPOT TESTED	OTHER VERIFICATION
Resale	X		Mar-13		Resale Certificates
U.S. Government	X		Mar-13		Purchase Orders
Cash Discounts	X		Mar-13		See General Comments
Tax Paid Purchases Resold	X		Mar-13		See General Comments

F OTHER

DATE FORM BOE-523 PREPARED TO CLEAR DELINQUENCIES

IF LOCAL TAX REALLOCATION IS INVOLVED, IS FORM BOE-414-L ATTACHED ☐ YES ☐ NO ☐ REFUND CLAIM INVOLVED - SEE COMMENTS

LIST ALL OTHER BUSINESS TAX PERMITS HELD BY TAXPAYER ON WHICH CONCURRENT AUDITS HAVE BEEN MADE

BUSINESS WITH 50 OR MORE EMPLOYEES?	☐ YES	☐ NO
WHOLESALER/IMPORTER OF TOBACCO?	☐ YES	☐ NO
UNDERGROUND STORAGE TANK?	☐ YES	☐ NO
SELLER OF TIRES?	☐ YES	☐ NO
SELLER OF TELEVISIONS, COMPUTERS, & PORTABLE DVD PLAYERS?	☐ YES	☐ NO

☐ VERIFY TAX PAYMENTS: IF TAX PAYMENT MADE UNDER DIFFERENT PERMIT, INDICATE NUMBER

COMMENTS REGARDING CIGARETTE INDICIA INSPECTION:

THE TAXPAYER WAS PROVIDED OR INSTRUCTED TO DOWNLOAD THE FOLLOWING

Publications: 17: Y 70: Y 76: Y

USE REVERSE SIDE FOR ADDITIONAL COMMENTS

FORM BOE—596 OFFICE WAIVER

EXHIBIT 10

BOE-596 REV. 23 (3-11)

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

REPORT ON ACCOUNT BEING WAIVED FOR AUDIT

To: Headquarters - **Audit Determination and Refund Sec., MIC:39**

From: Auditing - AC

DATE: 9/25/2012

☐ Check if C.O.

Re:: Delia Sunshine

ACCOUNT NUMBER: SR AR 108-999999

CASE ID: 23456

AUDIT BEING WAIVED THROUGH *(for annual accounts show last quarter of year)*

Quarter: 2 Year: 2012

OMA: A R

1. CELL: 09

2. BUSINESS CODE: 565656

3. IS SELLER'S PERMIT CORRECT? ☑ Yes ☐ See comments

4. NATURE OF BUSINESS

5a. ☐ Field investigation
(check one or more of the following as applicable)

- ☐ Bankruptcy, assignment, or probate
- ☐ Audit waived to keep all related accounts on same basis for audit selection purposes

Key Account Number:

5b. * ☑ Audit waived as a result of office review
(check one or more of the following as applicable)

- ☐ Waiving audit for account in cell 1-6.
- ☐ Form BOE-414 on hand.
- ☐ Bankruptcy, assignment or probate.
- ☐ Audit waived to keep all related accounts on same basis for audit selection purposes.

Key Account Number:

6. BRIEF EXPLANATION OF FIELD RECOMMENDATION

7. CIGARETTE INDICIA INSPECTION COMMENT

8a. UNDERGROUND STORAGE TANK?	8b. SELLER OF TIRES?	8c. SELLER OF CIGARETTE OR TOBACCO PRODUCTS?	8d. BUSINESS WITH 50 OR MORE EMPLOYEES?	8e. SELLER OF TELEVISIONS, COMPUTERS, & PORTABLE DVD PLAYERS?
☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No

9. HOURS EXPENDED ON FIELD INVESTIGATION *(whole hours only)*: 0

10. RECOVERY GROUP YEAR: 2013

11. RECOVERY GROUP CODE: A

REPORT MADE BY *(ID, class, name)*

ID# 945 Class: 2 Name: V.P. Gullien

APPROVED BY *(cells 1-5 to be approved by DPA)*

PUBLICATIONS PROVIDED TO TAXPAYER OR REPRESENTATIVE

Publications: 17: N 70: N 76: N

*If office waiver-complete 1,2,5b, 10 and 11.

This form does not constitute written advice under the aplicable provisions of the tax and fee laws administered by the Board of Equalization

FORM BOE—596 FIELD WAIVER

EXHIBIT 11

BOE-596 REV. 23 (3-11)

REPORT ON ACCOUNT BEING WAIVED FOR AUDIT

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

To: Headquarters **Audit Determination and Refund Sec., MIC:39**

From: Auditing - AC

DATE: 9/25/2012

☐ Check if C.O.

Re:: Delia Sunshine

ACCOUNT NUMBER: SR AR 108-999999

CASE ID: 23456

AUDIT BEING WAIVED THROUGH *(for annual accounts show last quarter of year)*

Quarter: 4 Year: 2012

OMA: A R

1. CELL: 09

2. BUSINESS CODE: 565656

3. IS SELLER'S PERMIT CORRECT? ☑ Yes ☐ See comments

4. NATURE OF BUSINESS

Restaurant with on-sale distilled spirits

5a. ☑ Field investigation
(check one or more of the following as applicable)

- ☐ Bankruptcy, assignment, or probate
- ☐ Audit waived to keep all related accounts on same basis for audit selection purposes

Key Account Number:

5b. * ☐ Audit waived as a result of office review
(check one or more of the following as applicable)

- ☐ Waiving audit for account in cell 1-6.
- ☐ Form BOE-414 on hand.
- ☐ Bankruptcy, assignment or probate.
- ☐ Audit waived to keep all related accounts on same basis for audit selection purposes.

Key Account Number:

6. BRIEF EXPLANATION OF FIELD RECOMMENDATION

A cursory examination of records indicate that an audit is not warranted.

7. CIGARETTE INDICIA INSPECTION COMMENT

Unable to inspect. Cigarettes are sold only through vending machines owned by H.G. Vending Company.

8a. UNDERGROUND STORAGE TANK?	8b. SELLER OF TIRES?	8c. SELLER OF CIGARETTE OR TOBACCO PRODUCTS?	8d. BUSINESS WITH 50 OR MORE EMPLOYEES?	8e. SELLER OF TELEVISIONS, COMPUTERS, & PORTABLE DVD PLAYERS?
☐ Yes ☑ No	☐ Yes ☑ No	☐ Yes ☑ No	☐ Yes ☑ No	☐ Yes ☑ No

9. HOURS EXPENDED ON FIELD INVESTIGATION *(whole hours only)*: 3

10. RECOVERY GROUP YEAR: 2012

11. RECOVERY GROUP CODE: A

REPORT MADE BY *(ID, class, name)*

ID# 945 Class: 2 Name: V.P. Gullien

APPROVED BY *(cells 1-5 to be approved by DPA)*

PUBLICATIONS PROVIDED TO TAXPAYER OR REPRESENTATIVE

Publications: 17: N 70: N 76: N

*If office waiver-complete 1,2,5b, 10 and 11.

This form does not constitute written advice under the aplicable provisions of the tax and fee laws administered by the Board of Equalization

ORIGINAL WAIVER – REGULAR REPORTING BASIS EXHIBIT 12

BOE-122 (FRONT) REV. 18 (10-02)

WAIVER OF LIMITATION

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

Calculate

☑ Original Waiver
☐ Extension to Original Waiver

Account No. SY EA 108-123456

BEFORE SIGNING THE WAIVER OF LIMITATION SEE THE REVERSE (Page 2) FOR INFORMATION

In consideration that the Board of Equalization of the State of California forbear making deficiency determinations within the limitation period prescribed by:

☑ Section 6487 of the California Sales and Use Tax Law and, where applicable, local ordinances pursuant to the Uniform Local Sales and Use Tax, and Transactions (Sales) and Use Tax.

☐ Section 38417 of the California Timber Yield Tax Law.

☐ Other - _____

(Copies of applicable Revenue and Taxation code sections will be provided upon request)

Until the Board has made further examination of records, the undersigned hereby consents to an extension through October 31, 2014 of the time within which such determinations may be mailed for the period from January 1, 2011 through June 30, 2011.

ENTER DATE FORMAT "00/00/00"

If the undersigned has previously granted extensions for period(s) included in the period noted above, those extensions are incorporated herein.

The undersigned further agrees to retain for audit purposes all records and supporting data pertaining to the period to which an extension is granted. The undersigned is aware that this agreement also allows a claim for refund to be filed for overpayments or for offsetting any overpayments made with respect to the agreed period through the extension date.

Dated 4/15/2014

at Anaheim (CITY) CA (STATE)

NS Technology Company
FIRM NAME

*By _____

Thomas Smith
PRINT NAME OF SIGNATORY

Owner
CAPACITY

*Signatory, if not a corporate officer, partner or owner, certifies under penalty of perjury that he or she holds a power of attorney to execute this document.

Accepted: State Board of Equalization

By _____

C Williams
PRINT NAME OF SIGNATORY

Senior Tax Auditor
CAPACITY

FOR BOARD USE ONLY

Case ID No. 987654

WAIVER EXTENSION – REGULAR REPORTING BASIS

EXHIBIT 13

BOE-122 (FRONT) REV. 18 (10-02)

WAIVER OF LIMITATION

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

☐ Original Waiver
☑ Extension to Original Waiver

Calculate

Account No. SY EA 108-123456

BEFORE SIGNING THE WAIVER OF LIMITATION SEE THE REVERSE (Page 2) FOR INFORMATION

In consideration that the Board of Equalization of the State of California forbear making deficiency determinations within the limitation period prescribed by:

☑ Section 6487 of the California Sales and Use Tax Law and, where applicable, local ordinances pursuant to the Uniform Local Sales and Use Tax, and Transactions (Sales) and Use Tax.

☐ Section 38417 of the California Timber Yield Tax Law.

☐ Other - _____

(Copies of applicable Revenue and Taxation code sections will be provided upon request)

Until the Board has made further examination of records, the undersigned hereby consents to an extension through January 31, 2015 of the time within which such determinations may be mailed for the period from January 1, 2011 through September 30, 2011.

ENTER DATE FORMAT "00/00/00"

If the undersigned has previously granted extensions for period(s) included in the period noted above, those extensions are incorporated herein.

The undersigned further agrees to retain for audit purposes all records and supporting data pertaining to the period to which an extension is granted. The undersigned is aware that this agreement also allows a claim for refund to be filed for overpayments or for offsetting any overpayments made with respect to the agreed period through the extension date.

Dated 9/23/2014

at Anaheim (CITY) CA (STATE)

NS Technology Company
FIRM NAME

*By _____

Thomas Smith
PRINT NAME OF SIGNATORY

Owner
CAPACITY

*Signatory, if not a corporate officer, partner or owner, certifies under penalty of perjury that he or she holds a power of attorney to execute this document.

Accepted: State Board of Equalization

By _____

C Williams
PRINT NAME OF SIGNATORY

Senior Tax Auditor
CAPACITY

FOR BOARD USE ONLY

Case ID No. 987654

ORIGINAL WAIVER – IRREGULAR REPORTING BASES

EXHIBIT 14

BOE-122 (FRONT) REV. 18 (10-02)

STATE OF CALIFORNIA

WAIVER OF LIMITATION

BOARD OF EQUALIZATION

Calculate

☑ Original Waiver
☐ Extension to Original Waiver

Account No. SR AR 108-999999

BEFORE SIGNING THE WAIVER OF LIMITATION SEE THE REVERSE (Page 2) FOR INFORMATION

In consideration that the Board of Equalization of the State of California forbear making deficiency determinations within the limitation period prescribed by:

☑ Section 6487 of the California Sales and Use Tax Law and, where applicable, local ordinances pursuant to the Uniform Local Sales and Use Tax, and Transactions (Sales) and Use Tax.

☐ Section 38417 of the California Timber Yield Tax Law

☐ Other - _____

(Copies of applicable Rever

NOTE: The extension must be through January 31, April 30, July 31, or October 31 even though the taxpayer's reporting period ends on another date.

Until the Board has made further examination of records, the undersigned hereby consents to an extension through October 31, 2014 of the time within which such determinations may be mailed for the period from December 24, 2010 through June 23, 2011.

If the undersigned has previously granted extensions for period(s) included in the period noted above, those extensions are incorporated herein.

NOTE: Although the waiver extends the statue through October 31, 2014, it must be signed by the taxpayer before July 23, 2014, the expiration date of the period ending June 23, 2011.

The undersigned further agr ata pertaining to the period to which an extension is granted. The im for refund to be filed for overpayments or for offsetti d through the extension date.

Dated 2/3/2014

Delias Hardware
FIRM NAME

at Ventura CA
CITY STATE

*By _____

THOMAS SMITH
PRINT NAME OF SIGNATORY

OWNER
CAPACITY

*Signatory, if not a corporate officer, partner or owner, certifies under penalty of perjury that he or she holds a power of attorney to execute this document.

Accepted: State Board of Equalization

By _____

V.P. Gullien
PRINT NAME OF SIGNATORY

Tax Auditor
CAPACITY

FOR BOARD USE ONLY

Case ID No. 23456

WAIVER EXTENSION– IRREGULAR REPORTING BASES EXHIBIT 15

BOE-122 (FRONT) REV. 18 (10-02)

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

WAIVER OF LIMITATION

Calculate

☐ Original Waiver
☑ Extension to Original Waiver

Account No. SR AR 108-999999

BEFORE SIGNING THE WAIVER OF LIMITATION SEE THE REVERSE (Page 2) FOR INFORMATION

In consideration that the Board of Equalization of the State of California forbear making deficiency determinations within the limitation period prescribed by:

☑ Section 6487 of the California Sales and Use Tax Law and, where applicable, local ordinances pursuant to the Uniform Local Sales and Use Tax, and Transactions (Sales) and Use Tax.

☐ Section 38417 of the California Timber Yield Tax Law.

☐ Other - _____

(Copies of applicable Revenue a

NOTE: The extension must be through January 31, April 30, July 31, or October 31 even though the taxpayer's reporting period ends on another date.

Until the Board has made further examination of records, the undersigned hereby consents to an extension through January 31, 2015 of the time within which such determinations may be mailed for the period from December 24, 2010 through September 23, 2011.

If the undersigned has previously granted extensions for period(s) included in the period noted above, those extensions are incorporated herein.

The undersigned further agree ning to the period to which an extension is granted. The u nd to be filed for overpayments or for offsetting the extension date.

NOTE: Although the waiver extends the statute through January 31, 2015, it must be signed by the taxpayer before October 22, 2014, the expiration date of the period ending June 23, 2011.

Dated 10/10/2014

Delias Hardware
FIRM NAME

at Ventura CA
CITY STATE

*By _____

THOMAS SMITH
PRINT NAME OF SIGNATORY

OWNER
CAPACITY

*Signatory, if not a corporate officer, partner or owner, certifies under penalty of perjury that he or she holds a power of attorney to execute this document.

Accepted: State Board of Equalization

By _____

V.P. Gullien
PRINT NAME OF SIGNATORY

Tax Auditor
CAPACITY

FOR BOARD USE ONLY

Case ID No. 23456

Decision Table
Allocation of Local Sales and Use Tax
(Special In-State Accounts)

Existing Condition	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Construction Contractor	Y	Y	Y														
Auctioneer				Y	Y	Y											
Vending Machine Operator:																	
Generally in Home County								Y									
Substantial Operations in Various Counties									Y								
Section 6015 Retailer									Y	Y	Y						
Traveling Permits												Y					
Out-of-State Seller Close to California Border													Y				
Interstate Sales (Direct Delivery to Customer)														Y			
Interstate Sales (Title Passage Out-of-State)														Y			
Lessor															Y		
Ex-Tax Purchases:																	
Used at Permanent Place of Business																Y	
Used at Location Not Requiring Permit																	Y
Small Operator (Less than $600 Local Tax a Year)	Y			Y					Y								
Large Operator (More than $600 Local Tax a Year)		Y			Y					Y							
Regular Retail Sales from Permanent Business Address			Y			Y					Y						

Allocate Tax To	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Area Code of Permanent Place of Business			X			X					X				X	X	
Countywide Code (xx999) of:																	
County of Jobsite, Auction or Vending Machine		X			X			X									
County of Permanent Business Address Location	X			X			X		X								
County From Which Salesman Operates										X							
County of Destination													X	X			
County of Use																	X
County Mailing Address												X					

*See AM 0618.10 for the allocation of local taxes to leases of motor vehicles

Decision Table
Allocation of Local Sales and Use Tax
(Out-of-State Accounts)

Existing Condition	1	2	3	4	5	6	7	8	9	10	11	12	13
Construction Contractor Installing Materials & Fixtures						Y							
Construction Contractor Making Regular Retail Sales							Y						
Property Purchased Ex-Tax and Consumed at a Permitized Place of Business								Y					
Property Purchased Ex-Tax and Consumed at a Location for Which a Permit is not required									Y				
Cert U - Unable to Furnish Allocation										Y			
Delivery From Stock of Goods or Warehouse in California		Y											
No Place of Business in California	Y	Y											
Place of Business in California			Y	Y	Y		Y	Y					
Sales Negotiated at Out-of-State Location			Y										
Sales Negotiated at In-State Location				Y	Y								
Title Passage Out-of-State			Y		Y								
Title Passage In-State				Y									
Interstate Sales Made Throughout California and Impractical to Furnish County Allocation of the Local Use Tax											Y		
Leases Negotiated at Out-of-State Location												Y	
Leases Negotiated at In-State Location													Y

Allocate Tax To	1	2	3	4	5	6	7	8	9	10	11	12	13
Area Code Assigned to Place of Business				X			X	X					X
Countywide Code (xx999) of:													
County of Use or Where Property is Installed	X		X		X	X			X			X	
County Where Stock of Goods or Warehouse Located		X											
Statewide Code (59999)										X	X		

*See AM 0618.10 for the allocation of local taxes to leases of motor vehicles

FORM BOE – 1296—ACCOUNT UPDATE INFORMATION EXHIBIT 19

BOE-1296 REV. 5 (8-11)

STATE OF CALIFORNIA

ACCOUNT UPDATE INFORMATION

BOARD OF EQUALIZATION

(To be completed by the auditor)

TO:	District Principal ☐ Active Compliance Supervisor ☐ C.O.	ACCOUNT NUMBER	SR AR 108-999999
NAME	Delia Sunshine	DAYTIME PHONE NUMBER	(555) 333-3333
EMAIL ADDRESS		WEB ADDRESS	

Provide the following information on the Corporate Officer, LLC Manager, Limited Partner, Member or Responsible Person(s) charged with the responsibility for filing the returns or the payment of tax: (see section 6829)

NAME	NAME
ADDRESS	ADDRESS
TITLE	TITLE
EMAIL ADDRESS	EMAIL ADDRESS
WEB ADDRESS	WEB ADDRESS
PERIOD OF CONTROL [see section 6829(a)] FROM TO	PERIOD OF CONTROL [see section 6829(a)] FROM TO
NAME	NAME
ADDRESS	ADDRESS
TITLE	TITLE
EMAIL ADDRESS	EMAIL ADDRESS
WEB ADDRESS	WEB ADDRESS
PERIOD OF CONTROL [see section 6829(a)] FROM TO	PERIOD OF CONTROL [see section 6829(a)] FROM TO
NAME AND ADDRESS OF BANK OR OTHER FINANCIAL INSTITUTION (List all locations where taxpayer makes deposits or has reserves.)	TYPE OF ACCOUNT AND ACCOUNT NUMBER (commercial, savings, trust, reserve)
NAME AND ADDRESS OF CREDIT CARD PROCESSOR	ACCOUNT NUMBER
MAJOR ACCOUNTS AND NOTES RECEIVABLE - NAME, ADDRESS, AND AMOUNT OF RECEIVABLES OWED TAXPAYER (Schedule of large items. If more space is needed, please use an attachment).	NAMES AND ADDRESSES OF MAJOR SUPPLIERS (street, city, state, zip code)
WAS TAX REIMBURSEMENT INCLUDED IN OR ADDED TO THE SELLING PRICE? ☐ Yes ☐ No	WAS BUSINESS TERMINATED? ☐ Yes ☐ No
If yes, what records show this? (attach samples)	If yes, how and when did BOE learn of termination? [see section 6829(f)]
OTHER PERMIT(S) OR LICENSE(S) HELD BY TAXPAYER	

AUDITOR	DATE	OFFICE
V.P. Gullien		AC

PLEASE USE AN ATTACHMENT IF MORE SPACE IS NEEDED FOR ANY OF THE CATEGORIES SHOWN ABOVE.

Original or Revised Audit Transmittal Letters	
BOE-79-A	Taxpayer disagrees - 10 Days to respond
BOE-79-AP	Taxpayer disagrees – issued a previous partial telephone billing
BOE-79-B	Taxpayer disagrees
BOE-79-B1	Taxpayer noncommittal or no discussion
BOE-79-C	Taxpayer agrees with determination
BOE-79-C1	Revised Audit Report – Agrees or Disagrees
BOE-79-D	Taxpayer agrees with refund
BOE-79-E	No change audit
BOE-79-F	Field Waiver – Courtesy Letter to Taxpayer
BOE-79-G	Prior to telephone billing

Original or Revised Audit Transmittal Letters	
BOE-89-A	Taxpayer disagrees - 10 Days to respond
BOE-89-A1	Taxpayer disagrees – 10 days to Respond (Late protest not accepted by Headquarters)
BOE-89-B	Taxpayer disagrees – Hearing Requested
BOE-89-C	Taxpayer agrees with determination or refund
BOE-89-C1	Taxpayer agrees with determination or refund (Late protest not accepted by Headquarters)
BOE-89-D	Taxpayer non-committal or no discussion
BOE-89-E	Taxpayer disagrees – no hearing requested
BOE-89-F	Taxpayer disagrees or non-committal (District accepts late protest)
BOE-89-G	Adjustment resulted from appeals staff's D & R

Field Billing Order Transmittal Letters	
BOE-235-A	Taxpayer disagrees - 10 Days to respond
BOE-235-B	Taxpayer disagrees - FBO forwarded to Headquarters
BOE-235-B1	Taxpayer noncommittal or no discussion
BOE-235-C	Taxpayer agrees with determination
BOE-235-D	Taxpayer agrees with refund

FORM BOE-414-Z **EXHIBIT 21**

BOE-414-Z REV. 2 (9-07)

STATE OF CALIFORNIA

ASSIGNMENT ACTIVITY HISTORY

BOARD OF EQUALIZATION

ACCOUNT NUMBER	TAXPAYER NAME	
SR KH 105-999000	NS Technology Company	
CASE ID NUMBER	AUDIT PERIOD	AUDITOR
12345	1/1/2009 to 12/31/2011	C. Williams

DATE	NAME OF COMMENTER	PERSON CONTACTED / METHOD / RESULT	FOLLOW-UP DATE
12/4/2011	Audrey Kelly	Assignment assigned on 10/29/2011; was assigned from Sacramento District to Sacramento District auditor Williams.	
1/10/2012	C. Williams	Called and spoke to Stella Cody. Made apt. for 2/21/12 at 9:15 a.m.	2/14/2012
2/21/2012	C. Williams	Met with taxpayer and held audit planning meeting, went over the audit plan and gained an understanding of their business and reporting methods.	
2/22/2012	C. Williams	Completed sales reconciliations and informed the taxpayer of the differences noted. Started examination of exempt sales. Noted the prior audit had issues with the labor deduction. Taxpayer corrected issues prior to audit period. Discussed with taxpayer testing methods and determined that a block test would be warranted on May 2012 transactions and then a cursory review of the resale transactions. Provided taxpayer with testing selections and informed them I would need a BOE 82 and BOE 472 completed.	
2/23/2012	C. Williams	Prepared BOE 82 and BOE 472 form to provide to taxpayer on 02/24/2012.	2/24/2012
9/13/2012	C. Williams	Called Stella and left message for her to contact me. Phone call was a follow up to email sent out earlier.	
9/28/2012	C. Williams	Received an email copy of the signed waiver from taxpayer.	
1/17/2013	C. Williams	Sent inquiry to taxpayer about open items and ability to complete the audit field work by 4/1/13.	
2/25/2013	C. Williams	Met with taxpayer and worked on exempt sales and paid bills.	
3/11/2013	C. Williams	Met with taxpayer to discuss open items and clear questioned items.	
3/15/2013	C. Williams	Requested BOE 80 be completed	
3/25/2013	C. Williams	Sent XYZ letter form to taxpayer to have questioned customer complete.	4/8/2013
4/8/2013	C. Williams	Received XYZ letter response via email from taxpayer.	
4/15/2013	C. Williams	Completed audit write-up and submitted to supervisor for review. Provided copies of working papers to the taxpayer electronically.	
4/15/2013	C. Williams	Supervisor go back received and cleared.	
5/8/2013	Kelly, Audrey	Audit submitted for review. Concurred -- 79C.	
5/17/2013	Smith, Susan	Audit transmitted to HQ on 5/17/13.	

~~SCHEDULE 414—A-2 – SUMMARY OF DIFFERENCES EXHIBIT 2~~

SUMMARY OF DIFFERENCES

SCHEDULE 414-A2
SRAC 12-345678
J. C. Conlon
09/07/05

	A	B	C	D	E	F	G	H
		< 1 >	< 2 >	< 4 >	(B+C+D)			
REF	Period	Total Sales	Purchases Subject to Use Tax	Sales for Resale	Measure for SLCST			
1	3Q-02	2,000	18,841	11,298	32,139			
2	4Q-02	2,300	7,418	13,217	22,935			
3	1Q-03	2,500	8,611	15,344	26,455			
4	2Q-03	2,767	9,727	17,332	29,826			
5	3Q-03	3,017	140,862	19,355	163,234			
6	4Q-03	3,267	11,998	21,378	36,643			
7	1Q-04	3,517	13,133	23,401	40,051			
8	2Q-04	3,767	364,268	25,423	393,458			
9	3Q-04	4,017	15,403	27,446	46,866			
10	4Q-04	4,267	16,538	29,468	50,273			
11	1Q-05	4,517	17,674	31,492	53,683			
12	2Q-05	16,015	65,309	23,714	105,038			
13								
14	Total:	51,951	689,782	258,868	1,000,601			
15								
16								

TO BE DELETED

17 Note:

18

19 Schedule 414-A-2 will be a "Summary of Differences" prepared for
20 "Total Sales Basis" audit on the basis of the result of audit findings.
21 It is not expected to be a schedule which will be uniform in all
22 respects, but it should be set out in a manner that clearly depicts the
23 source and amount of the difference disclosed by audit. A summary
24 of difference schedule will not be prepared when one lead schedule
25 contains all the differences disclosed by the audit, whether it be a
26 schedule 1, 5 or 12.

27

28 The schedule should be free of comments.

29

30

Electronic Transcript of Returns

BOE-414-M Sales and Use Tax

Exhibit 6
Page 1 of 3
SCHEDULE BOE-414
PERMIT SR Y AC 012-345678
AUDITOR J. C. Conlon
DATE 9/8/2005

	A	B	C	D	E	F	G	H	I	J	K	L
REF	PERIOD	START DATE	END DATE	GSALE	CNTTX	LCLTX	RPTTX	NONTX	TXTRN	DISTX	STATX	TOTTX
1	3Q 02	07/01/02	09/30/02	503,571	1,051	4,209	34,721	82,694	420,877	4,209	25,252	34,721
2	4Q 02	10/01/02	12/31/02	600,358	1,357	5,431	44,804	57,268	543,090	5,431	32,585	44,804
3	1Q 03	01/01/03	03/31/03	570,806	1,297	5,190	42,814	51,851	518,955	5,190	31,137	42,814
4	2Q 03	04/01/03	06/30/03	566,335	1,198	4,797	39,571	86,675	479,660	4,797	28,779	39,571
5	3Q 03	07/01/03	09/30/03	495,100	1,063	4,255	35,100	69,638	425,462	4,255	25,527	35,100
6	4Q 03	10/01/03	12/31/03	603,618	1,343	5,365	44,265	67,074	536,544	5,365	32,192	44,265
7	1Q 04	01/01/04	03/31/04	579,351	1,279	5,107	42,135	68,651	510,700	5,107	30,642	42,135
8	2Q 04	04/01/04	06/30/04	525,008	1,176	4,702	38,789	54,842	470,166	4,702	28,209	38,789
9	3Q 04	07/01/04	09/30/04	460,603	1,057	4,233	34,919	37,324	423,279	4,233	25,396	34,919
10	4Q 04	10/01/04	12/31/04	568,458	1,314	5,251	43,325	43,324	525,134	5,251	31,509	43,325
11	1Q 05	01/01/05	03/31/05	505,715	1,168	4,672	38,543	38,542	467,173	4,672	28,031	38,543
12	2Q 05	04/01/05	06/30/05	570,161	1,316	5,262	43,413	43,955	526,206	5,262	31,573	43,413
13												
14	Total:			6,549,084	14,619	58,474	482,399	701,838	5,847,246	58,474	350,832	482,399
15												
16												
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28												
29	414											
30	Thomas F. Smith											
31												

Note:

This transcript represents an electronic download of a BOE-414 transcript from IRIS ordered from a TSO subsystem and converted to an Excel spreadsheet. The auditor will print a hard copy transcript first in IRIS, prior to asking for an electronic download. This is an optional schedule that is recommended for large audits.

COPY TO TAXPAYER
DATE:_____

TO BE DELETED

TO BE DELETED

BOE-414 Schedule Of Deductions

SCHEDULE BOE-414
PERMIT SR Y AC 012-345678
AUDITOR J. C. Conlon
DATE 9/8/2005

	A	B	C	D	E	F	G	H	I	J
REF	PERIOD	START DATE	END DATE	SLSRT	SLSTX	SLSIN				
1	3Q 02	07/01/02	09/30/02	47,972	34,722					
2	4Q 02	10/01/02	12/31/02	44,805	12,463					
3	1Q 03	01/01/03	03/31/03	7,037	42,814	2,000				
4	2Q 03	04/01/03	06/30/03	47,103	39,572					
5	3Q 03	07/01/03	09/30/03	32,537	35,101	2,000				
6	4Q 03	10/01/03	12/31/03	22,810	44,264					
7	1Q 04	01/01/04	03/31/04	26,518	42,133					
8	2Q 04	04/01/04	06/30/04	16,053	38,789					
9	3Q 04	07/01/04	09/30/04	2,403	34,921					
10	4Q 04	10/01/04	12/31/04	43,324						
11	1Q 05	01/01/05	03/31/05	38,542						
12	2Q 05	04/01/05	06/30/05	544	43,411					
13										
14	Total:			202,977	440,265	58,596				
15										
16										
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18										
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29	414									
30	Thomas F. Smith									

Note:

The acronyms for deductions listed above, such as SLSRT, SLSTX and SLSIN, can be identified by comparing to the hardcopy printout of the transcript. SLSRT refers to Resale, SLSTX is Sales Tax and SLSIN is Interstate Commerce. The advantage of procuring an electronic download, especially on large audits, is it saves time from transcribing figures from the hard copy to Excel.

COPY TO TAXPAYER
DATE:_____

TO BE DELETED

BOE-414 Transit Tax Schedules

SCHEDULE BOE-414
PERMIT SR Y AC 012-345678
AUDITOR J. C. Conlon
DATE 9/8/2005

	A	B	C	D	E	F	G	H	I	J
REF	PERIOD	START DATE	END DATE	LACT	ACTA	BARTA	STAT	LATC		
1	3Q 02	07/01/02	09/30/02	250,000	105,800	105,800	130,000	250,000		
2	4Q 02	10/01/02	12/31/02	235,000	133,000	133,000	350,000	235,000		
3	1Q 03	01/01/03	03/31/03	165,000	103,900	103,900	500,000	165,000		
4	2Q 03	04/01/03	06/30/03	220,000	84,600	84,600	350,000	220,000		
5	3Q 03	07/01/03	09/30/03	315,000	60,400	60,400	100,000	315,000		
6	4Q 03	10/01/03	12/31/03	420,000	51,500	51,500	130,000	420,000		
7	1Q 04	01/01/04	03/31/04	260,000	130,700	130,700	240,000	260,000		
8	2Q 04	04/01/04	06/30/04	450,000	10,100	10,100	20,000	450,000		
9	3Q 04	07/01/04	09/30/04	330,000	58,200	58,200	70,000	330,000		
10	4Q 04	10/01/04	12/31/04	165,000	180,100	180,100	360,000	165,000		
11	1Q 05	01/01/05	03/31/05	425,000	22,200	22,200	40,000	425,000		
12	2Q 05	04/01/05	06/30/05	425,000	16,200	16,200	170,000	425,000		
13										
14			Total:	3,660,000	956,700	956,700	2,460,000	3,660,000		
15										
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29	414				COPY TO TAXPAYER					
30	Thomas F. Smith				DATE:_____					

~~PREPAYMENT OF SALES TAX ON GASOLINE AND DIESEL FUEL EXHIBIT 22~~

Since July 1, 1986, distributors have been required by Article 1.5 of the California Sales and Use Tax Law, beginning at Section 6480, to collect prepayment of retail sales tax on the first distribution in this state of motor vehicle fuel. From January 1, 1992 to December 31, 2001, producers and importers of fuel were required by Article 1.6 of the law, beginning at Section 6480.10, to collect prepayment of retail sales tax on first sales of fuel to persons in this state. Beginning January 1, 2002, suppliers and wholesalers of motor vehicle fuel are required to collect prepaid tax when the fuel is removed from the terminal rack, entered into California, or sold for resale at any point after removal from the terminal rack.

Period		Rate of Prepay (U.S. Cents per Gallon)	
Beginning - Ending	Date Adopted	Gasoline	Diesel Fuel
04/01/87 - 03/31/88	10/86	4.5	
04/01/89 - 03/31/89	10/88	4.5	
01/01/91 - 06/30/91	10/90	6.0	
01/01/92 - 03/31/92	05/91	4.5	3.0
10/01/92 - 03/31/93	07/92	6.0	4.5
04/01/94 - 03/31/95	10/93	6.5	5.0
04/01/96 - 03/31/97	10/95	7.0	5.5
04/01/98 - 03/31/99	10/97	7.5	6.0
04/01/00 - 3/31/2001	10/99	8.5	6.5

TO BE DELETED

Information is available on BOE's webpage. Link added to Manual text.

~~FORM BOE-414-Z1 - ASSIGNMENT STATUS SUMMARY EXHIBIT 25A~~

BOE-414-Z1 REV. 1 (4-01)

STATE BOARD OF EQUALIZATION

ASSIGNMENT STATUS SUMMARY

SALES AND USE TAX DEPARTMENT

ACCOUNT NUMBER	ACCOUNT NAME	AUDITOR
CASE ID NUMBER	REQUESTED BY	DATE

ISSUE	VERIFICATION PROCEDURES COMPLETED	DATE COMPLETED
	See Chapter 4, *General Audit Procedures, guidance in planning an audit program.*	

TO BE DELETED

ISSUE	VERIFICATION PROCEDURES REMAINING	ESTIMATED COMPLETION DATE

BOE-502 REV. 1 (1-92)

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

SUGGESTED LEGISLATIVE CHANGES

Auditor Name _____ Taxpayer _____

I.D. No._____District_____Account Number _____

Date _____

LAW SECTION, REGULATION, OR OTHER AREA NEEDING CHANGE

If more space is needed, attach additional sheets

FULLY DESCRIBE ISSUE OR PROBLEM

TO BE DELETED

RECOMMEND CHANGES OR SOLUTION

SUGGESTED LANGUAGE FOR NEW LEGISLATION, IF APPLICABLE

~~FORM BOE–1161 - AUDIT ARRANGEMENT SHEET~~ ~~EXHIBIT 27~~

BOE-1161 REV. 7 (10-04)

STATE OF CALIFORNIA

AUDIT ARRANGEMENT SHEET

BOARD OF EQUALIZATION

Account Number: _____ Case ID No.: _____

Taxpayer Name: _____ Date: _____

Form Number	Form Name	Total Copies	Form in Audit
	Forms to be arranged in the order listed below		
BOE-414A/B	Report of Field Audit/Field Billing Order	1	
BOE-414C	Report of Examination of Records	3	
BOE-197	Allocation of Tax Change of Cooperative Audit Report	2	
N/A	Go-Back Sheet with schedules superseded after the review attached	1	
BOE-1161	Audit Arrangement Sheet **(BLUE)**	1	
BOE-767	Tax, Penalty, and Interest Calculation	1	
BOE-502	Suggested Legislative Changes	1	
N/A	Fraud/Jeopardy Letter (Before Approved by HQ Operations Mgr)	1	
414A p2	Results of Discussion of Audit Findings	1	
BOE-122	Waiver of Limitation	2	
BOE-392	Power of Attorney	1	
BOE-101	Claim for Refund or Credit	1	
R-414-A2	Reconciliation and Explanation of Reaudit/Revised Adjustments	2	
N/A	Decision & Recommendation	2	
BOE-836A	Report of Discussion of Audit Findings	2	
N/A	Taxpayer's Letter of Protest/Petition	2	
N/A	Petition Audit Summary Schedules	2	
BOE-416	Petition for Redetermination	2	
BOE-414L	Auditor's Worksheet- Local Sales and Use Tax Allocation	2	
N/A	Reallocation Schedules	2	
Schedule 20-G3	Sales Tax Prepaid on MVF Program	2	
BOE-526	Managed Audit Program Participation Agreement	2	
N/A	FTB Packet	1	
BOE-1151	Audit Assessment Summary	2	
BOE-495	Index to Audit Working Papers **(BLUE)**	1	
BOE-414-Z	Assignment Contact History **(YELLOW)**	1	
BOE-414-Z1	Assignment Status Summary **(YELLOW)**	1	
BOE-414	Transcript of Returns	1	
Schedule 12, ... etc.	Audit Working Papers	1	
BOE-504-A …etc. **	Use of XYZ Letter Procedure to Verify Claimed Exempt Sales	1	
BOE-503-A,B,C **	Use of ABC Letter Procedure	1	
BOE-472 **	Use of Sampling in Auditing	1	
BOE-1311-A **	Bar Short Test Sheet	1	
BOE-1311-B **	Bar Fact Sheet	1	
BOE-52 **	Certificate of Verification - Out-of-State Delivery	1	
BOE-52L **	Sample Letter for Seller Requesting Purchaser's Statement Regarding Receipt of Goods in Interstate Commerce	1	
BOE-52-L1 **	Sample Board Letter - Re: Receipt of Goods in Interstate Commerce	1	✓
BOE-80(A-D)	Audit Engagement Letter	1	
BOE-103	Adjustment Request Memo (copy)	1	
BOE-175-C	Computer Audit Feasibility Letter	1	
BOE-175-D	Computer Audit Feasibility Questionnaire	1	
BOE-204	Interdistrict Cooperative Audit	1	
BOE-523	Tax Return and/or Account Adjustment Notice (copy)	1	
BOE-579	Audit Assignment Transfer	1	
BOE-945	Receipt for Books and Records of Account	1	
BOE-1296	Account Update Information (copy)	1	
N/A	Audit Program	1	
N/A	CD or Disk in an envelope with additional information not printed in the audit - Statistical Sampling Total Population only.	1	
N/A	Schedules Superseded prior to Review	1	

** = To be arranged in the audit with the corresponding schedule

TO BE DELETED