INTRODUCTION

Certain procedures take place during the field audit and upon completion of the field audit. This is an explanation of these procedures, of your rights and how you can exercise them, and your obligations.

WHY TAXPAYERS ARE SELECTED FOR FIELD AUDIT?

The usual reason for selecting a taxpayer is to verify the correctness of the items that have been reported on your returns. The fact that you have been selected for field audit does not suggest a suspicion of willful evasion with tax reporting.

WHAT IS A FIELD AUDIT?

A field audit is a detailed examination of your books and records to determine the correctness of your tax returns. In some instances, the auditor will obtain information from other sources such as other state or federal agencies to verify information that is reported.

The audit will be conducted at your principal place of business or other office where tax information is kept. The procedure begins when you are contacted by an auditor to notify you that your tax accounts have been selected for examination and to set a date for the field examination. After this telephonic conversation, you will be sent an appointment letter that will list the information that is required for examination when the auditor arrives at your place of business. At the first meeting, the auditor will discuss the nature of your business and review the reason for the audit. Having the requested information assembled and ready for review will help in this discussion and enable a quicker resolution of the audit. The auditor will usually want to meet with you on a daily basis while in the field to ask questions that have arisen during the review.
HOW MANY PERIODS WILL BE AUDITED?

A field audit will generally include a three-year audit period. This period may be extended if agreed upon in writing by the taxpayer and the department.

REPRESENTATION

You may act on your own behalf, or you may have someone represent or accompany you during the audit and any subsequent appeal. If your representative desires to receive confidential information, or a copy of the Notice, he or she may do so only if authorized by you in writing in a document filed with the department. Any properly written power of attorney or authorization may be used for this purpose.

COMPLETION OF THE AUDIT EXAMINATION

Upon completing the field work, the auditor will review with you and/or your authorized representative the items that have been requested, but remain outstanding. In addition, the auditor will discuss their views on the audit issues after examining your records. It is important that you understand any potential changes, so don’t hesitate to ask questions about anything that is not clear to you.

In most cases a schedule of proposed changes cannot be issued at the conclusion of the field visit because you may not have been able to provide all the records required to verify compliance with Kansas laws. You are expected to make every effort to obtain the records and information requested by the auditor within 30 days of the field audit. If this time frame is not sufficient, you may request additional time from the auditor.

If the time frame is close to the statute date, a waiver to extend the statute of limitations must be signed or the additional time will not be allowed.

Ideally, all issues will be resolved prior to our issuance of any assessment. However, some issues may invite a difference in interpretation or opinion. You are encouraged to work with the auditor to provide all evidence possible to resolve as much as you can at the audit level.

THE AUDIT REPORT

Upon completion of the fieldwork and receipt of previously outstanding information, the auditor will prepare and send to you Preliminary audit schedules detailing the audit findings. The auditor will encourage you to review the schedules and notify of any errors or disagreements with the findings. An Audit Report detailing the audit findings will then be prepared. The auditor files this written report for review of correctness and proper application of the law. After approval, the report will be processed and you will be formally notified of the findings along with copies of the auditor’s work papers used to compile the report.

Proposed Report

You will be issued a Proposed Report if the statute of limitations will not expire within 90 days, otherwise a Final Report will be issued.

Final Report

A Final Report will be issued if you do not respond to, or pay, the Proposed Report within 30 days of issuance. A final report will also be issued if the statute of limitations will expire within 90 days of issuance of the audit report. Tax, interest and penalty are assessed on Final Assessments.

No Change Notice
If the audit shows that substantially all tax due has been paid you will receive a Notice, which will advise you that your returns have been accepted as filed for the period reviewed. If you agree with this finding, no action is required.

If you do not agree with this finding, you must respond to the Notice within 60 days from the date the Notice was mailed to you.

**Refund Notice**

If the audit indicates that you are subject to a refund of tax, you will be sent a Notice detailing the amount of tax to be refunded. A copy of the Audit Report and any supporting schedules will accompany this Notice.

If you do not agree with this finding, you must respond to the Notice within 60 days from the date the Notice was mailed to you.

Provided that you do not have any other outstanding liabilities with the State, we will try to issue a refund warrant within 90 days on uncontested refund notices. You may call or write stating that you are in agreement with the refund amount and we will expedite your refund.

**Assessment Notice**

If the Audit determines that you are subject to additional tax, you will be sent a Notice that summarizes additional tax, penalty, and interest due. A copy of the Audit Report and any supporting schedules will accompany this Notice. The following options are available to you:

1. **Pay if you agree**
   If you agree with the assessment you may respond by sending your payment according to the instructions given in the Notice of Assessment. Prompt payment is required or additional interest/penalty may be charged.

2. **Pay the entire assessment and request a refund**
   If you disagree with the assessment, you may pay the total amount assessed and file a request for a refund. Your payment and petition for a hearing must follow the instructions on the Notice of Assessment. This option allows you to avoid additional interest on that part of the assessment ultimately upheld as being due. Once the audit has been resolved, we will refund any tax, penalty, and interest that were overpaid plus applicable interest due at that time.

3. **Pay a portion of the assessment and petition for a hearing on the balance**
   Under this option, you pay that portion of the assessment that you agree is due. You must also submit a petition for hearing on the remaining balance according to the instructions on the Notice of Assessment. Upon the final resolution of the audit, you will be charged the appropriate tax, penalty and interest which were not paid and which are found to be owed. Interest continues to accrue until final payment is made.

4. **Pay nothing and petition for a hearing**
   Under this option, you are not required to pay the assessment at this time. You must submit a petition for hearing according to the instructions on the Notice of Assessment. Upon the final resolution of the audit, you will be charged the appropriate tax, penalty, and interest that were found to be owed. Interest continues to accrue until final payment.

**INTEREST AND PENALTIES**

Effective 1-1-98 the statutory interest on assessments and refunds is determined for each calendar year based on the underpayment rate per annum for federal purposes, plus one percentage point. The federal rate is determined under paragraph (2) of subsection (a) of section 6621 of the federal internal revenue code. Penalties may be waived upon proper showing of reasonable cause by the taxpayer.
THE APPEAL PROCESS

If your petition for a hearing is timely and properly filed, your appeal will first be given to a Problems Resolution Officer with the Audit Services Bureau to attempt to resolve the appeal informally without a hearing.

If the audit assessment is not resolved informally, an informal conference will be scheduled with an Appeals Hearing Officer. An individual taxpayer may appear at this conference either in person or be represented by an attorney or accountant. Decisions by the Appeals Hearing Officer are subject to review by the Kansas Court of Tax Appeals, Kansas Court of Appeals and the Kansas Supreme Court.