This publication explains what to expect when you receive notification of an audit from the Idaho State Tax Commission. Our goal is to inform you about the process so you're better prepared and more at ease.

Why me?

Most audits result from software we use to identify tax returns that might have incorrect or unusual amounts. An audit also can result from errors on your return that we identify during processing.

Throughout the audit you can act on your own behalf or have someone represent or accompany you. You must complete a Power of Attorney form and return it to us if you want someone else to represent you. You can find a Form ID-POA, *Power of Attorney*, on our website at **tax.idaho.gov/poaform**.

Fairness and respect

We promise to treat you courteously and fairly during the entire audit process. Working together, we can complete your audit as quickly as possible.

The auditor will:

- Keep you informed about the audit status.
- Send all correspondence to you and your representative.
- Explain why we might need to expand your audit, if necessary.
- Discuss any proposed changes to your tax owed or refund with you or your representative.
- Explain your appeal rights and options.

By mail or in person

We handle some audits entirely by mail. In this case, you'll receive a letter with a request for information. You can respond to this request by mail, or you can meet with an auditor. When we identify the error and resolve all issues, we won't ask for any more information. You'll receive an audit report that explains any adjustments we made.

An audit also can take place at your business, our office, or the office of your representative. The auditor will try to meet your needs when deciding the time, location, and how the audit will take place.

Whether by mail or in person, you can help speed the audit by providing all requested information promptly. This information helps produce accurate results that might even reduce the amount you owe.

During the audit:

- Attend all appointments.
- For onsite meetings, arrange a work area where you maintain the relevant books and records.
- Discuss any concerns or questions with the auditor.

What should I be aware of?

Statute of limitations – Generally, the statute of limitations to assess or refund taxes expires three years from the due date of the return or the date you filed the return, whichever is later. You might be asked to sign a "statute waiver" that allows you and the auditor more time to gather information and complete the audit. This also allows the auditor to issue findings based on the best information available.

Questions:

In the Boise area: (208) 334-7660 | Toll free: (800) 972-7660

Hearing impaired (TDD) (800) 377-3529

tax.idaho.gov/contact

If the Internal Revenue Service (IRS) audited you, you have 180 days from the resolution of your federal audit to do either of these:

- File an amended Idaho return and include copies of all audit reports.
- Provide a copy of your federal audit report and all federal audit paperwork.

Audit period – The audit period generally covers all years within the statute of limitations. Sometimes the audit covers periods for which the statute of limitations has expired. For example, if you've claimed a net operating loss or investment tax credit carryover, the auditor will look at the years when these items originated, even though the statute of limitations might have expired.

Repeat audits – Sometimes audit findings have tax consequences in later years. Those years are subject to adjustment and might require a future audit.

Penalties – We may apply penalties for:

- Substantial underpayment.
- Not filing.
- Not paying.
- Fraud.

We might have to apply a negligence penalty for several reasons, including:

- Not keeping proper records.
- Not responding to requests for information.
- Careless disregard of tax obligations.
- Not providing us with a copy of a federal audit within 180 days of a final determination.

We might waive a negligence penalty if you can show reasonable cause.

Interest – The law requires that we apply interest. See Idaho Code section 63-3045.

What happens after the audit?

When you receive the results of the audit, ask about anything you don't understand. You have the right to address any concerns about the audit with the auditor's supervisor or manager. The auditor will provide you with contact information.

When you and the auditor finish the process, the auditor will take one of three actions:

- Accept your returns as filed.
- Issue a Notice of Deficiency Determination (NODD) showing the extra amount of tax you owe. The NODD will explain the reason for the determination and your right to appeal.
- Issue a Notice of Refund Determination (NORD) showing that you're due a refund or that we had to reduce the refund you claimed.

If you owe more tax or we had to reduce your refund claim, you can take one of these actions:

- Agree with the audit and pay the amount due.
- Protest the audit.

Protest rights

You have the right to protest any audit findings you disagree with. For more information about your protest rights, see: **tax.idaho.gov/rights**.

This information is for general guidance only. Tax laws are complex and change regularly. We can't cover every circumstance in our guides. This guidance may not apply to your situation. Please contact us with any questions. We work to provide current and accurate information, but some information could have technical inaccuracies or typographical errors. If there's a conflict between current tax law and this information, current tax law will govern.