

AUDITS - YOUR RIGHTS & RESPONSIBILITIES

Idaho State Tax Commission
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This publication explains what to expect when the Idaho State Tax Commission audits you. Our goal is to put you at ease by informing you about the process so you're better prepared.

Why me?

Most audits result from computer programs used to identify tax returns that may have incorrect or unusual amounts. An audit can also result from errors identified on your return during processing.

Throughout the audit you can act on your own behalf or have someone represent or accompany you. If you want someone else to represent you in your absence, you must complete a power of attorney form and return it to us.

[An Idaho Power of Attorney form](#) is available on our website.

What should I expect during the audit?

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

Some audits are handled 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 the error is identified and all issues are resolved, we won't ask for any more information. You'll receive an audit report that explains any adjustments we made.

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

How can we help save time during the audit?

You can reduce the time the auditor must spend at your business by providing all the requested information promptly. The information you provide may even allow you to take more deductions than you expected.

You can help by:

- Being present at the initial appointment.
- Arranging a work area where the books and records are maintained.
- Providing requested information by mutually agreeable due dates.
- Discussing any concerns or questions with the auditor.

The auditor will help by:

- Keeping you informed about the status of your audit.
- Sending all correspondence to you and your representative.
- Explaining why we may need to expand your audit.
- Discussing any proposed changes to your tax debt with you or your representative.
- Explaining your appeal rights and options.

What should I know going into the audit?

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 the return is filed, whichever is later. You may be asked to sign a "statute waiver" that allows you and the auditor more time to complete the audit and issue findings based on the best information available.

If you were audited by the Internal Revenue Service (IRS), the three-year statute is suspended. Instead, you

have 60 days from the resolution of your federal audit to file an amended Idaho return and include copies of all audit reports. If you do this, the state has one year to audit your amended return. However, if you don't do this, the state can adjust your return to make it match the IRS' findings at any time in the future.

Audit Period – The audit period generally covers the three most recent years. 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 where these items originated even though the statute of limitations may have expired.

Repeat Audits – If the audit findings have tax consequences in later years, these years will be subject to adjustment and may include a future audit.

Penalties – There are several types of penalties. Penalties are applied automatically for:

- Underpayment
- Failure to file
- Failure to pay

A negligence penalty can be applied for several reasons, including:

- Failure to keep proper records.
- Failure to respond to requests for information.
- Careless disregard of tax obligations.
- Failure to provide the Tax Commission with a copy of a federal audit within 60 days of a final determination.

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

Interest - Interest applies from the due date of the return until the date the tax is paid. You'll receive a

computation of the interest with your audit report. The law doesn't allow us to waive interest.

What happens after the audit?

At the end of an audit, the auditor will review the issues with you or your representative. Ask about anything you don't understand. If you have any concerns about the audit, you have a right to address them with the auditor's supervisor or manager. The auditor will provide you with contact information.

When the process is complete, 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 as a result of the audit. The NODD will explain the reason for the determination and your right to appeal.
- Issue an NODD showing you're due a refund or the refund you claimed has been reduced.

If you owe more tax or your refund claim was reduced, you can:

- Agree with the audit and pay the amount due.
- Protest the audit and give the auditor more information. You may ask the auditor to review the new information and modify the audit report.
- Protest the audit and request an informal hearing.

If you disagree with the audit findings, you have the right to protest them. We'll enclose information explaining your protest rights when we send you the NODD. If you want to protest, you can stop interest from increasing by paying the deficiency. This won't influence your protest, and you'll get a refund if we determine you don't owe all or part of the extra tax.

This publication doesn't provide full explanations of Idaho tax laws or rules. For more information, contact:

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- tax.idaho.gov