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When you have a sales tax problem,
we are the solution!

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March 2011

A Four Letter Word

There is a certain four letter word that many of us in the accounting industry are afraid to say. Yet, many of our clients use it frequently and even dream about. It motivates many employees and in some cases it will get you a discount from your vendors. The government wants it to go away, yet it is clearly a necessity. Many of our mothers even say it's dirty.

Of course I am talking about CASH, a dirty four letter word.

The problem with cash is that it's easy, too easy. Cash lends itself to sloppy bookkeeping, or even worse, no bookkeeping. In my opinion, the government would like to see cash go away. Clearly, the "underground" economy is the number one target of the Tax Department in its effort to close the tax gap.



I am frequently asked by my fellow professionals, where does our responsibility lie when it comes to "overseeing" our client's filings and tax reporting? While I think we have some legal responsibility to insure that filings are administratively correct; I also think we have a professional responsibility to insure the filings "smell" right.

I have handled too many matters where a small business kept no records. Under audit the government makes up a number based on an obscene index related to the cost of rent in Indiana or the amount of electricity that a business uses in Alaska. At the same time the client's records show that he/she ran a business with 1 employee and managed to stay open 14 hours a day 7 days a week. I am put in the precarious position of arguing to a hearing officer that the Tax Auditor's numbers are more ridiculous than the client's numbers.

As many of us finish busy season and will have the time to sit with our clients in April and May, I want to remind everyone that we should stress to our clients the importance of keeping records, reasonable and real records, which allow us to do our job, as their *trusted advisor*. If upon reviewing your client's situation you determine that something does not smell right, please call us so we can help you advise the client as to the best way to fix the situation without incurring civil or criminal tax penalties for the failure to pay their taxes to New York.

While it is true that you can lead a horse to water, but cannot make it drink. The horse needs to be reminded that it can get very ill if it does not heed your advice. REMEMBER, the New York State Department of Taxation and Finance is now authorized by law to charge a business approximately \$56,000 in penalties over a 3 year period just for failing to keep records.

We want to thank New York's Little Elves for giving us the opportunity to speak to their client base last week. New York's Little Elves works with many designers, contractors, and architects, to prepare homes after construction or renovation. They also work directly with the city's residents, providing them with everything from post-construction cleaning, deep spring (or seasonal) cleanings, to daily/weekly or monthly housekeeping/maintenance. They can be reached at (212) 673-5507 or on the web at www.nyelves.com.

Success Stories

We Save Clients Sales Tax in Florida Too!

A company that does business in multiple states was audited for sales and use tax by the Florida Department of Revenue ("DoR") for sales and use tax. The company purchased sample books, which were used to show their product to potential customers. The Florida DoR said that the company did not pay sales tax when purchasing its sample books so use tax is now due on it. The tax amounted to approximately \$40,000!

Sales Tax Defense LLC researched the taxability of samples in Florida as well as four other states for the Company. We found that samples were not subject to tax in Florida. We prepared a memorandum and provided the company with our research which included laws, regulations, and cases. We discussed our findings with the company and answered additional questions about how to present the argument to the auditor. The company submitted our research findings to the Florida auditor who accepted it and cancelled the Notice of Proposed Audit Changes ("NoPA"). Saving the company \$40,000!

In addition, we found that samples were taxable in some of the other states we researched. Using this research and our sales and use tax knowledge, we were able to advise the company of its options in those states and making recommendations on how to setup a use tax reporting system.

About Us

We are a dedicated team of sales and use tax professionals who have committed our careers to helping businesses and fellow professionals with sales and use tax problems. Since the only work we are focused on is sales tax consulting, businesses never have to be concerned that we will try to sell them other services they do not need. And professionals never have to be concerned with us encroaching on their client relationships, because we view you, our fellow professional, as our client.

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