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Secrets to Handling a Tax Auditor

We hope our many accountant friends survived “busy season” (or tax season as non-accountants call it), and that everyone had great holidays. I am often asked, what are the secrets in handling a Tax Auditor? Some accountants deal with them in quite interesting ways.

I've had accountants say to me, put them in the basement with no heat and no lights. I've had other accountants tell me the answer is to keep feeding the auditor - bring in bagels for breakfast, take them out for lunch and buy them afternoon coffee. I even know one accountant who hired a former beauty contestant winner to “distract” the auditors by sitting and just chatting with them. (I'm not kidding.) Other accountants have said to me don't give them any paperwork or bury them in paperwork.



I actually think they are all correct and all incorrect. I do think auditors should be treated as professionals, yet you should always remember that you are in somewhat adversarial roles, especially when you are advocating for your client and the government is seeking to assess additional tax. A word to the wise, I did have a sales tax audit supervisor tell me that she specifically assessed penalties on a matter because the prior accountant (whom handled the matter before us) was really nasty to her.

Handling an audit takes a tremendous amount of professional judgment. Sometimes you want to beg the auditor for mercy; other times you want to call the governor and complain about an injustice. Providing records is good, but knowing what records to provide and reviewing them first is even better. Treat the auditor with respect and demand respect in return. Even when an auditor tells you “everybody owes money” or asks you “is the ink even dry?”, it is always important for you to always remain professional.

While there is no cookie cutter approach to handling an audit, or an auditor, be sure to engage a qualified professional. If you find yourself or your client in a situation where the government is being unreasonable please call us to help insure that your rights are preserved and that the business is treated fairly!

Sales Tax Fun Facts:

When a distributor sells candy bars to a retailer, who will sell it to a customer, the retailer can give a resale certificate and purchase candy bars without paying sales tax. However, a resale certificate can never be given for prepared food. If a caterer prepares meals and sells it to a hotel who will, in turn, sell it to the customer, sales tax must be paid by both the hotel and the customer.

When a company purchases brochures to mail to prospective customers, the company does not have to pay sales tax when purchasing the brochures. If the company is handing the brochures out at an event, it does have to pay sales tax on the purchase of the brochures.

As a reminder, our new phone # is 631-491-1500

Success Stories

90 Days Means 90 Days!

A family owned corner grocery store was audited for sales and use tax, and assessed \$192,000 of tax, interest, and penalties. There is a strict 90 day period to protest the assessment and request a hearing with the New York State Tax Department. Otherwise, the assessment becomes final and legally due. The company's accountant continually said that he would take care of it. The accountant missed the deadline and the Tax Department began taking collection action against the company.

In addition, when the tax assessment became due and remained unpaid, the Lottery machine at the Company's store was turned off and the company lost a large part of its sales.

Sales Tax Defense LLC was hired by the company to determine if anything could be done. We spoke to the collection agent and requested that collection action be placed on hold for three months while we reviewed the audit findings. We went through the company's books and records and completed calculations. We submitted our calculations to the Tax Department courtesy conference unit in Albany and requested that certain adjustments be made. We explained the 90 day deadline was missed due to the accountant who has since had his CPA license revoked (for other reasons.) The Tax Department denied our request.

We then spoke directly to the auditor, and after that his supervisor to again request that our calculations be reviewed and adjustments made. As a courtesy, the supervisor reviewed our paperwork submitted and after negotiations, the supervisor agreed to reduce the tax, abate penalties, and decrease the interest rate to the lowest rate permitted by law. Once the company enters into a payment plan, the Lottery machine will be turned back on.

A \$192,000 assessment was reduced to approximately \$100,000, a savings of \$92,000!

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.