



## TMI (TOO MUCH INFORMATION) - LESS IS MORE



Don't misunderstand. When we say "TMI" we don't mean when a coworker shares stories about changing their baby's diapers. And we don't mean a client's description of the blood and guts injury he endured either. What we do mean by "TMI" is when businesses or their accountants give too much information to auditors.

A sales tax audit, whether in New York, California or any other state has sales tax, is usually for a specified period. A typical audit period may span from September 1, 2013 to August 31, 2016 as most states conduct 3-year audits in most cases. However, the audit period may not match the calendar year of January 1<sup>st</sup> through December 31<sup>st</sup> that most businesses use. This can lead a business or their accountant to unwittingly provide documents for a full calendar year when the audit only begins in September or ends in August. As the documents are usually sorted by year, not the audit period, this is an easy mistake to make.

Often, we have seen businesses or their accountants provide the auditor with documents outside of the audit period unnecessarily. This can be a big mistake for a variety of reasons.

For example, if an auditor finds a mistake outside the audit period, the auditor may seek to update the audit period to include the mistake and assess tax on the mistake accordingly. While the statute of limitations can help prevent this from taking place in certain circumstances, an auditor may find out certain returns were not filed and thus, the statute of limitation may not help. Every business is different so every potential area of exposure is different. But once the auditor starts reviewing information outside of the audit period, the audit period can expand and the amount of tax due can increase substantially. All of this can happen because too much information was given to the auditor. Though, in fairness, an audit period can usually be updated to include newer periods regardless of what information is provided to auditor.

While a business being audited must make their books and records available to the Tax Department, it is not required to make information from outside the audit period available. Thus, sometimes some information is just too much information and too much information can hurt on a sales tax audit. Keep it simple.

### SUCCESS STORY

#### NO TAX DUE IF NO NYS NEXUS



A company was notified it was under a New York State sales tax audit and came to us to discuss it. After speaking with the owner and reviewing the company's books and records, we believed that the company had no sales tax nexus in New York. If a taxpayer does not have nexus with the State for sales tax purposes, it is not required to follow that State's sales tax rules, including no requirement to collect sales tax for that State.

We prepared a response to the auditor explaining

### ABOUT OUR FIRM



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

we prepared a response to the auditor explaining that, amongst other things, the company does not have an office, inventory, property, or sales people in New York State. The company did not even advertise in the State. The only connection with the State was an employee who the company allowed to work from home for convenience.

We argued that the company is under no obligation to present books and records since it has no nexus in New York. After numerous discussions, the Tax Department accepted our position and cancelled the audit!

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.

WHEN YOU HAVE A SALES TAX PROBLEM, *WE ARE THE SOLUTION!*

CALL: **631-491-1500**

**CONTACT US!**

“

Mark,  
I can't thank you enough for the hard work you and your staff put in to helping me out of the deep tax issue I was saddled with. With the settlement now fulfilled I am able to live life with a lot less stress and move towards financial stability.”

**-Daniel C, Business Owner**

**MORE TESTIMONIALS**

Phone: 631-491-1500

673 Deer Park Avenue

Dix Hills, NY 11746



This newsletter is not intended to be used as tax, legal or accounting advice.

[Update](#) / [Unsubscribe](#)

© Sales Tax Defense LLC