



Field Audit of Wisconsin Tax Returns

Table of Contents

What is a field audit?	3
Start of the audit	3
Where will the initial meeting and audit take place?	3
What records will I need to provide?	3
How far back will my returns be audited?	4
How long will the audit take?	4
Claims for refund	5
The proposed audit report	5
If you agree with the Notice of Proposed Audit Report.....	5
If you disagree with the Notice of Proposed Audit Report	6
Penalties.....	6
Power of attorney	7
Projecting results forward.....	7
Post-audit survey.....	7
How do I pay?	7
What if I can't pay?	8
References	8



Field Audit of Wisconsin Tax Returns

What is a field audit?

A field audit is a review of your records to determine if you reported the correct amounts on your tax return. The goals of the audit are to ensure you paid the correct amount of tax and help you understand Wisconsin tax laws.

If your return is selected for audit, it does not mean we suspect you intentionally completed your returns incorrectly. The audit may result in an additional amount due, a refund, or determination that no changes are needed.

At any point during an audit, don't hesitate to contact the auditor or the auditor's supervisor if you have questions about the information we request.

Start of the audit

We will send you a letter indicating that your tax returns have been selected for review and requesting you to call the auditor to set the date and time for the initial meeting. Our first contact with you will never be by email or phone.

The letter informs you of:

- Which tax type(s) and the periods the audit includes
- How to contact the auditor
- How to contact the auditor's supervisor

The auditor may call you to follow up on the letter. The auditor may also ask you to complete a pre-audit questionnaire before the initial meeting to learn more about the business and recordkeeping systems you used.

Where will the initial meeting and audit take place?

The initial meeting and audit take place at your business location, accountant's or power of attorney's office, or by phone. The auditor will work with you to arrange a meeting that works best for you.

At the initial meeting the auditor will:

- Ask questions to learn about your business and the accounting and recordkeeping system used
- Discuss the records available to plan the steps to complete the audit as efficiently as possible
- Determine how you prefer to communicate during the audit
- Request a tour of the facility, if the audit is for a business

What records will I need to provide?

It depends on the type of audit and type of business. If your recordkeeping system is electronic (for example, Quickbooks) and the auditor requests records in electronic format, you must provide them in electronic format. The auditor will make arrangements for you to securely transfer electronic files.



Field Audit of Wisconsin Tax Returns

During the auditor's review of records, the auditor may request additional records or information for specific items. The auditor will provide or confirm the request in writing and work with you to set a due date.

To complete the audit as efficiently as possible, some audits can be done by using sampling rather than reviewing all records. For more information on sampling, see [Publication 515, Non-Statistical Sampling](#), and [Publication 516, Statistical Sampling](#). You can find them at revenue.wi.gov, or pick one up at any Department of Revenue office.

How far back will my returns be audited?

Generally, for the past four years, but it depends on the statute of limitations that applies to your situation.

The department must send a notice of field audit determination within four years of the due date of your income or franchise tax return or the date the return was filed, whichever is later. For audits of sales and use taxes that are filed on a monthly or quarterly basis, the statute of limitations is based on the annual filing period for income or franchise tax purposes.

Two exceptions to the four-year statute of limitations are:

1. For income or franchise taxes, the statute of limitations is six years if:
 - You reported less than 75% of the correct taxable income, and
 - The additional tax is over \$100 for that return.
2. If no return was filed, or if an incorrect return was filed with intent to evade taxes, there is no statute of limitations.

If the audit is an income or franchise tax audit and you had carryforwards of net operating losses, net business losses, or credits carried into the audit period, the auditor may review returns for the periods in which those carryforwards were generated as well as any succeeding years in which they were used.

How long will the audit take?

The length of an audit depends on the size and type of business and type of accounting records. The department tries to complete audits in the shortest time possible while still reaching sound conclusions and educating you.

The department measures how many days an audit takes to complete, including how many days the taxpayer waits for the auditor and how many days the auditor waits for the taxpayer to provide records or information.

If an audit is approaching its deadline for the statute of limitations and you need more time to provide records, information, or to review preliminary findings, the auditor may ask you to sign an extension agreement.



Field Audit of Wisconsin Tax Returns

For both you and the auditor, it is important to establish and meet due dates. If the auditor does not receive records or information when expected, the auditor may proceed with the best information available and make estimates and assumptions where needed. Throughout the process, communication between you and the auditor is key.

Claims for refund

If you believe you overpaid tax in the period being audited and plan to file a claim for refund, you should notify the auditor as early in the audit as possible. The auditor then can plan for and include the review of the refund claim in the audit.

If you file a claim for refund late in the audit, the auditor may not be able to include action on the claim in the audit. You would need to file an appeal of the audit determination to pursue the claim for refund.

The proposed audit report

When the auditor has reviewed all information provided or if the requested items have not been provided and the auditor needs to proceed with the best information available, the auditor will prepare a proposed audit report.

The proposed audit report shows all preliminary findings as well as the preliminary amount due or refund amount. The proposed audit report is a basis for discussion between you and the auditor; it is not a final determination. Proposed adjustments in the report may be reduced or removed if you provide more information about the transactions.

The auditor will set up a meeting with you, either by phone or in-person, to present the proposed report and ensure you understand the proposed adjustments, including the Wisconsin law that applies to those issues.

When you receive the proposed report, you will also receive a Notice of Proposed Audit Report requesting you sign (generally within 30 days) to indicate whether you agree or disagree with the proposed findings.

If you agree with the Notice of Proposed Audit Report

If the proposed audit report results in an amount due and you agree with the amount due, sign the Notice of Proposed Audit Report indicating you agree in full. Notify the auditor if you are interested in reducing your interest due by "prepaying" the final bill in full.

- If you don't prepay, you will receive a bill with interest computed through a date 60 days after the date the bill was generated
- If you prepay, the auditor will reduce interest otherwise due through the date you plan to pay

Interest on the amount due accrues at 12% per year starting from when the tax was originally due. This rate is set by state law and cannot be waived. If returns were not filed or a notice is not timely paid, interest accrues at 18%.



Field Audit of Wisconsin Tax Returns

If the proposed report results in a refund and you agree with this determination, sign the Notice of Proposed Audit Report indicating you agree in full. You will receive a refund notice. Refund interest accrues at 3% per year.

If you disagree with the Notice of Proposed Audit Report

If you disagree with any findings in the proposed audit report, it is important to communicate that to the auditor as soon as possible. The auditor can schedule a conference with you and their supervisor to attempt to reach agreement on the unagreed issues. These can often be settled without time-consuming appeals.

If you and the auditor/supervisor cannot reach agreement on the unagreed issues, the department will issue a final notice. This notice is final unless you appeal it. **Note:** Even if you signed the Notice of Proposed Audit Report indicating you disagree, you still must send a written appeal of the final notice. Follow the instructions on the notice for how to appeal.

See [Publication 506, Taxpayer's Appeal Rights of Field Audit Adjustments](#), for a description of your appeal rights. You can find it at revenue.wi.gov, or pick it up at any Department of Revenue office.

If the notice is an amount due and you pay it without filing an appeal, you may later choose to contest the notice by filing a claim for refund of the amount you paid. For all tax types except sales and use tax, the claim must be filed within four years of the audit notice date. For more information on sales and use tax claims for refund, see [Publication 216, Filing Claims for Refund of Sales or Use Tax](#).

If the notice is a refund amount, a refund check will be mailed. Accepting and depositing the check will not prevent you from appealing the notice if you believe you should receive a larger refund.

Penalties

Certain penalties may apply to audits, including:

- A penalty of 25% of the increase in tax liability and/or credit recovery if your incorrect reporting was negligent
- A penalty of 50% or 100% of the increase in tax liability if your tax return was not filed or was filed incorrectly with intent to evade taxes
- A penalty of 25% of the increase in tax liability if you were previously audited and were notified in that audit that your records were insufficient, and the records in the current audit are still not sufficient
- When the auditor requests records (in writing) for purposes of the audit, a penalty may apply if you do not provide the records requested and conditions described in secs. Tax 2.85 and 11.90, Wis. Adm. Code, are met. The penalty includes:
 - Disallowance of deductions, credits, or exemptions, or inclusion of income, taxable sales or purchases related to the requested records, plus
 - 25% of the additional tax resulting from each violation (minimum of \$500)

Field Audit of Wisconsin Tax Returns

Power of attorney

You may choose to have someone represent you during the audit and/or appeal. If you want to allow another person to discuss and receive your confidential tax information, you should complete [Form A-222, Power of Attorney](#) and provide it to the auditor.

If you do not wish to use Form A-222, you may use an alternate Power of Attorney form. Make sure it is notarized and clearly indicates that your representative is authorized to receive tax information on your behalf.

Projecting results forward

Sometimes when an audit is in its final stages, the taxpayer has already filed returns for one or more subsequent filing periods. In some cases, you may choose to project the audit findings forward to those additional periods. You and the department must agree on projecting the audit results forward.

Benefits of projecting audit results forward include:

- Saves you time
- You won't have to go through another audit for the projected years
- You won't have to file amended returns for those years
- Less interest will accrue because the additional tax due for those years will be paid sooner

Post-audit survey

After you receive the final notice, you will receive a letter or email from the department asking you to complete a short, anonymous online survey to tell us how the auditor did. The survey asks questions including:

- Was the auditor professional?
- Was the auditor knowledgeable?

The survey also gives you the opportunity to ask for a supervisor to contact you about how the audit went. The feedback that you provide is valuable to us.

How do I pay?

You can pay online, by check, or credit card:

- **To pay online:**
 - Businesses:
 - Go to tap.revenue.wi.gov
 - Log in and pay using *My Tax Account*
 - Individuals:
 - Go to tap.revenue.wi.gov/pay
 - Select tax type (Your notice will have the information needed to complete the field)
 - Select "Field Audit Payment"
 - Apply the payment to the last tax year changed on your notice



Field Audit of Wisconsin Tax Returns

- Complete the required fields
- Click "Submit"
- Verify and agree to the payment
- **To pay by check:**
 - Make check payable to: Wisconsin Department of Revenue
 - Print your tax account number in the check memo area
 - Mail the voucher with your payment to:

Wisconsin Department of Revenue
PO Box 930208
Milwaukee, WI 53293-0208
- **To pay by credit card:**
 - Contact the auditor for instructions

Note: A convenience fee will apply to credit card payments.

What if I can't pay?

When you receive the assessment notice, pay as much of the amount due as you can and request a payment plan. The department charges a \$20 fee for payment plans. A payment plan will not prevent the imposition of 18% interest for overdue payment or the filing of a lien. Although the payment plan will not be effective until after the due date of the notice, you may request the payment plan as soon as you receive the notice.

You can request a payment plan by:

- Online:
 - Businesses: go to tap.revenue.wi.gov
 - Individuals: go to revenue.wi.gov/Pages/BackTaxes/home.aspx
- Email: DORDelinquentTaxIS&ECompl@wisconsin.gov
- Phone: 608-266-7879
- Mail [Form A-771](#) to:
Wisconsin Department of Revenue
PO Box 8901 (8900 for excise tax)
Madison, WI 53708-8901

To obtain [Form A-771](#), visit the department's website at revenue.wi.gov, keyword "Form A-771," or call 608-266-1961.

References

Department's Authority to Conduct Field Audits:

Sections [71.74\(2\)](#), [77.59\(2\)](#), [78.80\(1m\)](#), [139.092](#) and [139.39\(6\)](#), Wis. Stats.

Statutes of Limitations:

Sections [71.77](#), [77.59](#), [78.70\(7\)](#), [139.092](#), [139.39\(6\)](#), and [139.83](#), Wis. Stats.

Penalties and Interest:

Sections [71.80\(9m\)](#), [71.82](#), [71.83](#), [77.60](#), [77.61\(19\)](#), [139.25](#), and [139.44](#), Wis. Stats.
Sections [Tax 2.85](#) or [11.90](#), Wis. Adm. Code