



# **Field Audit of Wisconsin Income Tax Returns**

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## 1. 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.

## 2. 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:

- 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.

You can follow along with your audit in My Case Manager. For more information, see [Publication 701](#), *My Case Manager User Guide*.

## 3. 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

## 4. 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 work with you to securely transfer electronic files.

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](#).

## 5. HOW FAR BACK WILL MY RETURNS BE AUDITED?

Generally, returns will be audited 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.

## 6. 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 focusing on taxpayer education.

The department measures how many days an audit takes to complete, including how many days you wait for the auditor and how many days the auditor waits for you 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.

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.

## 7. 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 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.

## 8. 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%.

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. Refund interest accrues at 3% per year.

## 9. 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 an agreement. Unagreed issues can often be resolved without time-consuming appeals.

If you and the auditor/supervisor cannot reach an agreement, 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.

For a description of your appeal rights, see [Publication 506](#), *Taxpayers' Appeal Rights*.

If the notice includes 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.

If the notice includes 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.

## 10. 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.

For all tax types except sales and use tax, the claim must be filed within four years of the audit notice date. See [How do I file a claim for refund of a paid assessment?](#) on the department's website. For information on sales and use tax claims for refund, see [Publication 216](#), *Filing Claims for Refund of Sales or Use Tax*.

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.

## 11. 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)

## 12. PROJECTING RESULTS FORWARD

When an audit is in its final stages, you may have 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:

- Saving time
- Avoiding another audit for the projected years
- No requirement to file amended returns for those years
- Less accrued interest because the additional tax due for those years will be paid sooner

## 13. 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 survey online 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.

## 14. HOW DO I PAY?

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

- **To pay online:**
  - Businesses:
    - Go to [tap.revenue.wi.gov](http://tap.revenue.wi.gov)
    - Log in and pay using My Tax Account
  - Individuals:
    - Go to [tap.revenue.wi.gov/pay](http://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
    - 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.

## 15. WHAT IF I CAN'T PAY?

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.

### Request a payment plan

Online:

- [Businesses request a payment plan here](#). Log in or create a My Tax Account profile to submit your request.
- [Individuals request a payment plan here](#) using the electronic Form A-771 on the department's website

By mail:

- Mail [Form A-771](#) to the department

For payment plan questions, email [DORCompliance@wisconsin.gov](mailto:DORCompliance@wisconsin.gov) or call 608-266-7879.

## 16. REPRESENTATION

If you want to allow another person to discuss and receive your confidential tax information, 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. The alternate form must be notarized and clearly indicate that your representative is authorized to receive tax information on your behalf.

## 17. 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., and secs. [Tax 2.85](#) or [11.90](#), Wis. Adm. Code

## 18. APPLICABLE LAWS AND RULES

This document provides statements or interpretations of laws and regulations enacted as of May 13, 2021. Laws enacted and in effect after this date, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to this date that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), [Wis. Stats.](#)