

# Office Audit of Wisconsin Income Tax Returns

## WHY ARE RETURNS SELECTED FOR OFFICE AUDIT?

The usual reason for selecting Wisconsin tax returns for office audit is to verify the correctness of income, deductions, exemptions, and credits that have been reported on the returns.

The majority of taxpayers are honest and have nothing to fear from an examination of their Wisconsin tax returns. The fact that returns have been selected for office audit does not suggest a suspicion of willful evasion of correct tax reporting.

## WHAT IS AN OFFICE AUDIT?

An office audit is an examination of your returns to determine if the correct amounts of income, deductions, exemptions, and credits were reported on the tax returns. The Wisconsin Statutes authorize the department to conduct office audits of tax returns. Generally the audit will be conducted by correspondence; however, some work can be done by telephone or conference. The audit begins when you are notified that your tax returns have been selected for examination.

## HOW MANY YEARS WILL BE AUDITED?

An office audit will generally include the tax returns for the last four years. Generally, a notice of assessment or refund resulting from an office audit must be given to the taxpayer within four years of the due date of the return or the date the return was filed, whichever is later.

## INTEREST AND PENALTIES

Interest on refunds of taxes is 3% per year; interest on assessments of additional taxes is 12% per year. Interest on delinquent taxes (taxes not paid by the due date of the return or a notice of assessment) is 18% per year.

If the department provides written notifications for requested records as required by sec. Tax 2.85, Wis. Adm. Code, and you don't provide these requested records in the time specified, a penalty may be imposed. This penalty has the following two parts:

- A. The disallowance of deductions, credits, or exemptions or the inclusion of income to which the requested records relate.
- B. For each violation, \$500 or 25% of the amount of additional tax resulting from any adjustment that was a result of failure to produce requested records, whichever is greater.

Also, if there was negligence in filing the tax return, a penalty may be imposed in the amount of 25% of the additional tax. If a tax return was not filed or an incorrect return was filed with intent to defeat or evade taxes, a 50% or 100% penalty may be imposed, depending on the type of tax.

## **COMPLETION OF THE AUDIT**

Upon completion of the audit, you may receive a "no change" letter, a refund notice, or an assessment notice. If there is no tax due or no refund, a letter may be sent to you stating there is no change in your tax liability. If there is a notice of refund or amount due, the report will explain the adjustment and show the change in the amount of tax, interest, and penalty (if any).

## **APPEAL RIGHTS**

With the audit report you will receive Publication 505, *Taxpayers' Appeal Rights of Office Audit Adjustments*, explaining in detail your appeal rights. You may also find Publication 505 on the Department of Revenue's website at [revenue.wi.gov](http://revenue.wi.gov), under the "Publications" link.

## **REQUEST FOR INSTALLMENT PAYMENTS**

If you do not appeal and you do not pay the full amount due, any remaining amount not paid by the due date will be subject to interest at 1 ½% per month. In addition, a delinquent tax collection fee will be imposed equal to the greater of \$35 or 6 ½% of the amount not paid by the original due date and a tax warrant may be issued. After the assessment has gone delinquent, a revenue agent will contact you. At that time, you may request a formal installment payment agreement. However, a formal installment payment agreement cannot be entered into before an assessment has gone delinquent.

## **REPRESENTATION**

You may act on your own behalf or you may have someone represent you during the audit and subsequent appeal. If your representative desires to receive confidential information or a copy of the notice of assessment or refund and audit report, he or she may do so only if authorized by you in writing in a document filed with the department. Form A-222, Power of Attorney, or any other properly written power of attorney or authorization may be used for this purpose. Copies of Form A-222 may be obtained from any Department of Revenue office, from the auditor, or at the Department of Revenue's website at [revenue.wi.gov](http://revenue.wi.gov), under the "Forms" link.