Notice

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Tax Type: Kansas Compensating Tax; Kansas Retailers' Sales Tax
Brief Description: Managed Audit Agreements per Senate Bill 226 from the 2000 Legislative Session
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Body:

Office of the Secretary
Kansas Department of Revenue

NOTICE 00-09

Managed Audit Agreements

Sections 1-5 of Senate Bill 226, passed by the 2000 Kansas Legislature, relate to "managed audit agreements." These provisions are effective July 1, 2000.

The bill authorizes the director of taxation to enter into a managed audit agreement with an eligible taxpayer. A "managed audit agreement" is an agreement consisting of an audit plan developed by the director and the eligible taxpayer in which the taxpayer agrees to review selected sales and purchase records and determine its liability for sales and use taxes. An "eligible taxpayer" is any person who is required to file any return or to pay or remit any Kansas sales or use tax, and who has demonstrated a willingness and ability to comply with the Kansas tax laws, and who has maintained an acceptable system of business records.

Under a managed audit agreement the director shall:

· Agree to accept, upon verification and subject to the right to terminate the agreement, the eligible taxpayer's determinations for purposes of making a deficiency assessment or otherwise determining the taxpayer's liability for the audit period under review;

· provide written procedural guidelines to be included as part of the managed audit agreement, including, but not limited to: (1) The audit period covered by the managed audit; (2) the general scope of the managed audit; (3) what records will be examined and what types of sampling techniques will be used; (4) the specific procedures the taxpayer is to follow in determining any liability; (5) the time period for completion of the managed audit; and (6) the time period for payment of the tax, penalty and interest;

· review the results of the managed audit with the eligible taxpayer and issue a final determination of tax liability in the manner prescribed by K.S.A. 79-3226; and

· recognize the taxpayer's right to request an informal conference in accordance with the provisions of K.S.A. 79-3610, and amendments thereto.

The new law allows the director of taxation to determine which accounts are to be selected for the managed audit program; however, taxpayers cannot be required to participate in the managed audit program. Taxpayers who agree to a managed audit must review and examine their books and records for any unreported liability during the audit period, and make their computations and records available to the director for verification.

Information provided by the taxpayer as part of the managed audit must be the same information that is required for any other audit conducted by the director. The director may terminate a managed audit agreement at any time and conduct a complete audit if the taxpayer fails to fulfill any part of the agreement, or if the director believes the agreement should be terminated for any other reason.

When the managed audit is completed and verified by the director, interest is computed at half the rate that would otherwise be imposed. Payment of the tax, penalty and interest must be made within the time period specified by the director.

To obtain additional copies of this or any other notice call the Kansas Department of Revenue's voice mail forms request line at (785) 296-4937 or download them from our web site: **www.ink.org/public/kdor**. If you have any questions about this notice or the managed audit agreement program, please contact our Taxpayer Assistance Center.

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915 SW Harrison St., 1st Floor
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