

MULTISTATE TAX COMMISSION

AUDIT DIRECTOR'S REPORT

FISCAL YEAR 6/12

PRODUCTIVITY

Audit Program completed 4 and parts of 8 income tax audits for fiscal year end 6/12. The Audit Program also completed 5 sales tax audits and parts of 8 other audit for the same period. There are 20 income and 32 sales tax audits in progress. There were several income and sales tax cases that were delayed by the taxpayers due to turn over in their tax staffs or taxpayers being sold.

The MTC Audit Program proposed assessments of \$110,878,008 for income tax and \$6,990,376 for sales tax.

STAFFING

The MTC hired 2 income tax auditors, who began work in February, 2012. One auditor, Nick Polimeros was hired for the New York Office and Bill LoCascio for the Chicago office.

AUTOMATION

The MTC is pursuing electronic records in every sales tax audit that is commencing. We are finding more taxpayers have been cooperative in supplying the records. We were able to obtain apportionment data on electronic records for one income tax audit. This proved to be very helpful. This was the first time were able to do so for an income tax audit.

AUDIT COMMITTEE

The Audit Committee met in White Fish, Montana on July 26, 2011, via teleconference on November 16, 2011 and in Nashville, TN on March 8, 2012.

TRAINING

Cathy Felix and Les Koenig participated as instructors in an income tax course in Wisconsin in September, 2011 and Cathy and Jeff Silver conducted training in West Virginia. Also, Harold Jennings and Bob Schauer participated in a sampling class in New Mexico in September 2011 and Chicago in March 2012 in Chicago..

Completed Audit Hour Analysis

Last Four Quarters

	9/11	12/11	3/12	6/12	Total
Income Tax					
<u>Total Audits</u>	0	0	2	2	4
Total States					
<u>Audited</u>	0	0	54	77	131
Total					
<u>Hours</u>	0	0	5064	6873	11937
Average Hours					
<u>Per State</u>	0	0	94	89	91
Sales Tax					
<u>Total Audits</u>	2	1	1	1	5
Total States					
<u>Audited</u>	22	11	14	12	59
Total					
<u>Hours</u>	3120	456	565	859	5000
Average Hours					
<u>Per State</u>	141	42	40	72	85
Total Both Taxes					
<u>Total Audits</u>	2	1	3	3	9
Total States					
<u>Audited</u>	22	11	68	89	190
Total					
<u>Hours</u>	3120	456	5629	7732	16937
Average Hours					
<u>Per State</u>	141	42	83	87	89

AUDIT HOURS WORKED

PER QUARTER

	9/11	12/11	3/12	6/12	Total
Income Tax Total					
Audits in Process	20	22	21	20	N/A
Total State Returns Under Audit	311	325	307	240	N/A
Total Income Audit Hours per Quarter	3779	3720	3835	4117	15451
Sales Tax Total					
Audits in Process	25	32	30	32	N/A
Total State Returns Under Audit	315	387	385	357	N/A
Total Sales Audit Hours per Quarter	2797	2730	2019	2633	10179
Total Both Taxes					
Audits in Process	45	54	51	52	N/A
Total State Returns Under Audit	626	712	692	597	N/A
Total Audit Hours Both Taxes	6576	6450	5854	6750	25630

**TRENDS IN PRODUCTIVITY
MTC JOINT AUDIT PROGRAM
AUDIT HOUR ANALYSIS**

6/96-6/12

	6/96	6/97	6/98	6/99	6/00	6/01	6/02	6/03	6/04	6/05	6/06	6/07	6/08	6/09	6/10	6/11	6/12
Income Tax																	
Total Audits	9	10	9	7	10	8	7	8	7	7	9	7	7	3	6	6	4
Total States Audited	111	152	120	186	251	131	166	165	266	196	175	141	209	79	152	309	131
Total Hours	7548	12249	10012	10060	13133	8684	9396	10556	12012	12617	12514	9361	17570	6440	10445	25649	11937
Average Hours Per State	68	81	83	55	52	66	57	64	45	64	72	66	84	81	69	83	91
Sales Tax																	
Total Audits	13	14	10	16	11	14	13	11	10	11	6	15	9	10	12	5	5
Total States Audited	123	143	97	184	102	158	159	145	154	160	77	187	97	120	147	65	59
Total Hours	9746	11349	7721	7438	9062	11900	8850	8792	10943	6133	4946	13296	7818	7265	10772	7200	5000
Average Hours Per State	79	79	80	40	89	75	56	61	71	38	64	71	80	61	73	110	85
Total Both Taxes	22	24	19	23	21	22	20	19	17	18	15	22	16	13	18	11	9
Total Audits																	
Total States Audited	234	295	217	370	353	289	325	310	420	336	252	328	306	199	299	374	190
Total Hours	17294	23598	17733	17498	22195	20584	18246	19348	22955	18750	17460	22657	25388	13705	21217	32849	16937
Average Hours Per State	74	80	82	48	63	71	56	62	55	56	70	69	83	69	71	88	89