

**MULTISTATE TAX COMMISSION:**

**JOINT AUDIT PROGRAM:**

**MTC AUDIT OFFICES:**

**CHICAGO HEADQUARTERS  
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<b>CHICAGO</b>	<b>NEW YORK</b>	<b>HOUSTON</b>
Audit Director Les Koenig <a href="mailto:lkoenig@mtc.gov">lkoenig@mtc.gov</a>	Income Tax Supervisor	Income Tax Auditor
Income Tax Supervisor	3 Income Tax Auditors	
Sales Tax Supervisor	1 Sales Tax Auditors	
5 Income Tax Auditors		
5 Sales Tax Auditors		
2 Computer Audit Specialists		

Over the last 5 years the MTC Audit program completed the equivalent of 1,647 state income and sales tax audits. The average hours to complete an individual state audit over this period was 59. This is a strong indication that a joint audit is very cost effective.

**PROGRAM AUTHORITY**

- MTC Audit Program operates under authority of the Multistate Tax Compact as upheld by the U.S. Supreme Court in U.S. Steel et al. V. Multistate Tax Commission
- MTC Auditors are agents of States for conducting an audit and work at the direction of the States.
- MTC does not have assessment authority. States are responsible for making assessments after MTC issues recommendations.

**MULTISTATE TAX COMMISSION:**

**22 INCOME TAX PARTICIPATING STATES:**

ALABAMA	MINNESOTA
ALASKA	MISSOURI
ARKANSAS	MONTANA
COLORADO	NEBRASKA
DISTRICT OF COLUMBIA	NEW JERSEY
HAWAII	NEW MEXICO
IDAHO	NORTH DAKOTA
ILLINOIS	OREGON
KANSAS	UTAH
KENTUCKY	WEST VIRGINIA
MICHIGAN	WISCONSIN

**MULTISTATE TAX COMMISSION:**

**18 SALES TAX PARTICIPATING STATES:**

ALABAMA	KENTUCKY
ARKANSAS	LOUISIANA
COLORADO	MICHIGAN
DISTRICT OF COLUMBIA	MINNESOTA
GEORGIA	NEW JERSEY
HAWAII	NORTH DAKOTA
IDAHO	UTAH
ILLINOIS	WASHINGTON
KANSAS	WISCONSIN

## **MTC AUDIT COMMITTEE**

### **COMPOSITION**

States that participate in MTC Joint Audit Program have a representative on the MTC Audit Committee.

### **RESPONSIBILITIES:**

- Three Meetings a Year
- Oversight of MTC Audit Program
- Audit Selections
- Provide Direction to the MTC Audit Program on State Policy Regarding Audit Issues

### **OVERSIGHT ACTIVITY**

- Review Audit Director's Periodic Status Reports
- Provide Direction to MTC Auditors on Complex Audit Issues.
- Provide State Specific Audit Training to MTC Audit Staff.
- Provide Forum for Taxpayers to Discuss Audit Issues

## **MTC AUDIT COMMITTEE**

### **AUDIT SELECTION PROCESS**

#### **PRIMARY PROCESS:**

- July: Audit Director Sends Out Audit Nomination Forms
- September: States Return Audit Nomination Candidates
- November: Audit Director Distributes Summarization of Audit Candidates
- February: States Supply Information on All Audit Candidates
- March: States Select MTC Audit Inventory by a Voting Process

#### **SECONDARY PROCESS:**

- MTC National Nexus Program Refers Audits to MTC Audit Committee.
- Taxpayers May Request an MTC Joint Audit Through the MTC Audit Committee.

## **MULTISTATE TAX COMMISSION**

### **INCOME TAX JOINT AUDIT PROCESS**

- MTC Audit Director Assigns an Audit to an MTC Auditor from Audit Inventory.
- States Decide Whether to Participate in the Audit and Return Signed Audit Authorization.
- Auditor Contacts the Taxpayer and Arranges an Audit Appointment.
- Auditor Conducts Field Audit Work at Taxpayer's Location.
- Auditor Completes Field Work and Supplies Taxpayer with Audit Schedules.
- Auditor Discusses any Proposed Audit Adjustments with Taxpayer.
- Taxpayer Reviews Proposed Audit Adjustment.
- Taxpayer May Request Meeting with MTC Audit Supervisor, MTC Audit Director, or MTC Audit Committee at any Point During the Audit Process.
- Audit Supervisor Reviews Audit Schedules and Report.
- Individual State Audit Sent to Corresponding State in the Audit as a Recommended Audit Finding.
- Each State Reviews Its Own Completed Audits.
- Each State Determines Action to take from Audit (Accept or Change).
- Each State Sends out Notice of Assessment (Refund) to Taxpayers.
- Taxpayers May Protest the Audit Results Directly to States or Request Multistate Alternative Dispute Resolution (Project Developed Jointly by States and COST).

## **MULTISTATE TAX COMMISSION**

### **SALES TAX JOINT AUDIT PROCESS**

The Process is basically the same as the Income Tax Process with the Following Additional Procedures.

- Computer Audit Specialist Accompanies the Auditor on First Field Audit Trip.
- Request Electronic Records from the Taxpayer.
- Convert Taxpayer's Electronic Records to Readable Files for the Auditor.

# MULTISTATE TAX COMMISSION

## PROFESSIONAL AUDIT PROCESS GUIDELINES

The MTC Audit Program pledges to conduct its audits in a professional and timely manner. The Program considers itself to be a representative of each State in the Audit Program. The MTC Staff endeavors to adhere to the State's Laws and Regulations for both income and sales tax. As a representative of each State, the MTC Staff is bound by the confidentiality laws of each State. The MTC Audit Staff will endeavor to meet this pledge by adhering to the following actions:

- Practice Professional Courtesy During the Audit.
- Request Only Information that is Pertinent to the Audit Based on each State's Requirements.
- Conduct the Audit as Efficiently as is Possible.
- Discuss all Audit Findings with the Taxpayer.
- Make Every Effort to Accommodate Taxpayer's Schedule.
- Request Waivers Only When Needed to Give Auditor a Reasonable Time to Complete Audit and for State's to Review Audit Findings.

The MTC Audit States and Audit program in turn would expect that the taxpayers to:

- Respect the States' Request to have the MTC Conduct the Audit on Their Behalf. The States' have Nominated the Taxpayer and Scheduled Their Work Load Accordingly.
- Extend Professional Courtesy to the MTC Audit Staff.
- Supply the Information Requested to Conduct the Audit in a Timely Manner.
- Sign Reasonable Waiver Requests.

# **MULTISTATE TAX COMMISSION**

## **AUDIT PROGRAM**

### **ADDITIONAL ACTIVITIES**

- MTC Audit Director Participates in Nexus School Training for States.
- MTC Provides Training in Combination and Business/Non-Business Income to States.
- MTC Provides Training for Sales Tax Audit Sampling.