

MULTISTATE TAX COMMISSION

AUDIT DIRECTOR'S REPORT

FISCAL YEAR 6/15

PRODUCTIVITY

Audit Program completed five income tax audits and parts of four other income tax audits for the fiscal year end of June 2015. The Audit Program also completed four sales tax audits and parts of eight other sales tax audits for the same period. There are 23 income and 40 sales tax audits in progress.

The MTC Audit Program has proposed assessments of \$85,153,922 for income tax and \$6,064,084 for sales tax for the fiscal year end of June 2015. One of the completed audits for income tax actually resulted in tax refunds of \$4,793,099, due to unclaimed research and development credits and payroll factor adjustments. In discussion with those states, it was decided to incorporate those credits in our audit to alleviate the burden on the taxpayer of having to file refund claims.

STAFFING

During the fiscal year Iowa, Pennsylvania, Rhode Island and Delaware joined the MTC audit program. We added four new income tax auditors this past year. Three of whom replaced resignations and/or retirements and one was added due to the joining of the states listed above. We are also in the process of hiring a sales tax auditor to replace a resignation. This position will be filled by September 1, 2015.

OFFICE RELOCATION

We successfully moved the Chicago office from the downtown location 223 West Jackson Boulevard, to 2800 River Road, Des Plaines. Since our lease was up, it gave us the opportunity to reduce our leased space and move to a more convenient location, both of which resulted in reducing our lease expenses.

AUDIT COMMITTEE

During this fiscal year the Audit Committee met in Albuquerque, New Mexico on July 29, 2014, on October 30, 2014, via teleconference, in Nashville, Tennessee on December 10, 2014 and in Kansas City, Missouri on March 11, 2015. We thanked Rick DeBano for his service as audit committee chair and wished him the best in his retirement. We welcomed Frank Hales as the new audit committee chair and Lee Baerlocher as the new vice-chair of the committee.

TRAINING

Jeff Silver and Larry Shinder participated as instructors in an income tax course in Burlington, Vermont in October, 2014. Harold Jennings conducted a “Computer Assisted Audit Techniques using Excel” class in Washington, DC in October, 2014. Bob Schauer conducted a statistical sampling class, with the assistance of Scott Elliot (from Minnesota) in Georgia, in November 2014. Cathy Felix and Jeff Silver participated as instructors in an income tax course in Salem, Oregon in April 2015. Harold Jennings and Bob Schauer conducted a statistical sampling class in April in St. Paul, Minnesota.

The MTC audit program held a training session for all staff in Chicago, the week of May 11th. There were a lot of issues and topics to cover with the addition of several states to the audit program. We were pleased that Joe Huddleston, Greg Matson, Helen Hecht and Chris Lane were able to join us and provide some instruction and answer questions, as well.