

Tax Administration
Group III
Audit and Compliance

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Group 3 Divisions

- **Field Audit-Sales Tax**
 - **Darlene Allen**
- **Field Audit-Income Taxes**
 - **Billy Pittman**
- **Field Audit-Excise Taxes**
 - **Sandra Malveaux**
- **Audit Review and Appeals**
 - **Susan Oliver**

Field Audit Divisions

Mission:

To strategically select and audit taxpayers for the purpose of disclosing unpaid tax liabilities and enhancing voluntary compliance. Also, to professionally administer taxes fairly equitably and efficiently.

Field Audit Divisions

Goals:

- Establish audit completion goals to ensure adequate coverage
- Increase audit coverage, reduce audit time per case and utilize efficient auditing procedures and technology
- Educate taxpayers about audit findings to improve future compliance
- Focus on producing accurate and efficient audits
- Develop knowledgeable and engaged employees through team work and professional development

Field Audit-Sales Tax Staffing

- **82 Total employees**
 - 56 Louisiana domiciled employees
 - 26 Out of state domiciled employees

Auditor Levels

- Revenue Tax Auditor 1 23
- Revenue Tax Auditor 2 12
- Revenue Tax Auditor 3 24

Field Audit-Sales Tax Audits Performed

Tax Type	FYE 6/30/17	FYE 6/30/18	08/31/2018
Sales	758	1,135	150
Withholding Tax	24	24	5
Total	782	1,159	155

Field Audit-Sales Tax Audit Determinations

Tax Type	FYE 6/30/17	FYE 6/30/18	08/31/2018
Sales	\$ 68,796,009	\$ 61,954,320	\$ 7,749,301
Withholding Tax	\$ 3,366,811	\$ 702,907	\$ 78,637
Total	\$ 72,162,820	\$ 62,657,227	\$ 7,827,938

Field Audit-Sales Tax Audit Collections

Tax Type	FYE 6/30/17	FYE 6/30/18	08/31/2018
Sales	\$24,469,317	\$ 19,445,982	\$ 8,120,369
Withholding Tax	\$ 147,409	\$ 229,652	\$ 58,059
Total	\$24,616,726	\$ 19,675,634	\$ 8,178,248

Field Audit-Sales Tax

Sales Tax Audit Issues:

- Failure to implement changes enacted by ACT 25 and ACT 26
- MM&E
- Food for home consumption
- Lack of exemption certificates/validity
- Reconciliation of LGST to CIFT
- Insufficient record keeping

Field Audit-Income Staffing

- **56 Total employees**
 - 24 Louisiana domiciled employees
 - 32 Out of state domiciled employees

Auditor Levels

- Revenue Tax Auditor 1 9
- Revenue Tax Auditor 2 10
- Revenue Tax Auditor 3 21

Field Audit-Income Audits Performed

Tax Type	FYE 6/30/17	FYE 6/30/18	08/31/2018
CIT	216	207	10
CFT	224	214	12
Individual	161	197	45
Total	601	618	67

Field Audit-Income Audit Determinations

Tax Type	FYE 6/30/17	FYE 6/30/18	01/31/18
CIT	\$ 77,992,834	\$ 154,471,227	\$ 4,174,356
CFT	\$ 66,008,400	\$ 45,292,091	\$ 3,305,602
Individual	\$ 7,619,360	\$ 4,796,822	\$ 348,393
Total	\$ 151,620,594	\$ 204,560,140	\$ 7,828,351

Field Audit-Income Audit Collections

Tax Type	FYE 6/30/17	FYE 6/30/18	01/31/18
CIT	\$ 13,390,633	\$ 21,510,651	\$ 3,182,220
CFT	\$ 9,888,908	\$ 31,137,145	\$ 1,889,959
Individual	\$ 1,673,201	\$ 1,925,818	\$ 244,261
Total	\$ 24,952,742	\$ 54,573,614	\$ 5,316,440

Field Audit-Income

Corporate Income Tax Audit Issues:

- Allocable Interest Expense Computation
- ACT 123 of 2015 Regular session adjustments-28% Dividends Inclusion in Total Net Income, Dividend inclusion in apportionment ratio, IRC Section 280 Deduction Limited to 72%
- NOL utilization Limitation
- Federal Income Tax Deduction
 - Taking a FIT deduction where no Federal Taxes Paid
- Arm's Length Adjustments to Total Net Income

Field Audit-Income

Corporate Franchise Tax Audit Issues

- Un-netting Intercompany Debt and Reclassification I/C Payables to Surplus
- Inclusion of reserve items in the taxable base
- Investments, Revenues, Receivables attributed to LA based on audited capital employed percentages of partnerships

Field Audit-Income

Individual Income Tax Audit Issues

- Disallowance of Schedule A and C adjustments due to insufficient documentation.
- Schedule C losses disallowed in accordance with 26 CFR 1.183-2 Activity not engaged in for profit defined (Hobby Loss rules)
- Earned Income Credits disallowed based on audited adjusted gross income
- Other credits disallowed due to insufficient documentation
- Verified nonrefundable credits allowed due to increased audited taxable income

Field Audit-Excise Staffing

- **30 Total employees**
 - 23 Louisiana domiciled employees
 - 7 Out of state domiciled employees

Auditor Levels

- Revenue Tax Auditor 1 4
- Revenue Tax Auditor 2 3
- Revenue Tax Auditor 3 13

Field Audit-Excise Audits Performed

Tax Type	FYE 6/30/17	FYE 6/30/18	08/31/2018
Severance-Oil	72	48	1
Severance-Gas	59	24	1
IFTA	96	135	5
All Other Excise Taxes	20	82	4
Total	247	289	11

Field Audit-Excise Audit Determinations

Tax Type	FYE 6/30/17	FYE 6/30/18	01/31/18
Severance-Oil	\$ 45,432,527	\$ 12,007,723	\$ 4,644,675
Severance-Gas	\$ 18,599,959	\$ 657,760	\$ 408,055
IFTA	\$ 130,513	\$ 34,058	\$ 14,722
All Other Excise Taxes	\$ 594,696	\$ 576,365	\$ 450,037
Total	\$ 64,757,695	\$ 13,275,906	\$ 5,517,489

Field Audit-Excise Audit Collections

Tax Type	FYE 6/30/17	FYE 6/30/18	01/31/18
Severance-Oil	\$ 2,479,501	\$1,531,028	\$ 1,266,709
Severance-Gas	\$ 2,983,536	\$1,793,145	\$ 1,544,247
IFTA	\$ 71,170	\$ 27,298	\$ 16,057
All Other Excise Taxes	\$ 212,293	\$921,950	\$ 819,055
Total	\$ 5,746,500	\$ 4,273,421	\$ 3,646,068

Field Audit-Excise

Severance Oil Tax Audit Issues:

- Taxpayers incorrectly calculating value
- Unsupported contract deductions on oil purchase contracts
- Disallowed reduced tax rate for stripper and/or incapable wells
- Updating statutes

Field Audit-Excise

Severance Gas Tax Audit Issues:

- Disallowed reduced tax rate for incapable wells
OSR Oil & OSR Gas (Oil Site Restoration)
- Under-reported volumes

Field Audit-Excise

Severance Timber Audit Issues:

- Under-reported tons severed

Tobacco Tax Audit Issues:

- Misreporting 20% tax rate cigars as 8% tax rate cigars
- Taxpayers fail to include discounts on credit memos
- Under-reported tobacco purchases

Field Audit-Excise

Alcohol Tax and Beer Tax Audit Issues:

Under-reported purchases

Inspection & Supervision Fee Audit Issues

Taxpayers not including intrastate gross receipts for sales in which FERC tariff applied.

Cooperative Agreements with Parishes

The purpose of these agreements between the Parish Tax Administrators and the Louisiana Department of Revenue is to increase audit coverage and free up state audit resources to conduct regional and multi-state audits.

Currently these agreements cover only sales/use tax audits.

Agreements with Parishes

Executed Agreements:

East Baton Rouge Parish

Evangeline Parish

Jefferson Davis Parish

Rapides Parish

St. Mary Parish

St. Charles Parish

Caddo Parish

Bossier Parish

Multistate Tax Commission

- **Sales Tax Audit Program**
 - The Department continues its participation in this program.

- **Corporate Income/Franchise Tax Audit Program**
 - The Department has recently begun participation in this program.

Field Audit Program

Field Offices

Future Field Offices:

Baton Rouge (HQ)

New Orleans (Field Audit/Business Enforcement)

Lafayette (Field Audit/Business Enforcement)

Shreveport (Field Audit/Business Enforcement)

Monroe (Field Audit/Business Enforcement)

Alexandria (Business Enforcement Only)

Houston (Field Audit Only)

Audit Review and Appeals

Mission:

To fairly and impartially resolve audit issues and controversies in the best interest of the State of Louisiana and taxpayers while enhancing voluntary compliance and maintaining public confidence in the integrity and efficiency of the Department.

Audit Review and Appeals

Goals:

- Address and resolve audit issues and disputes
- Educate taxpayers about audit issues
- Identify and deliver additional training/information to LDR staff related to evolving tax issues
- Provide litigation support
- Provide assistance to other divisions

Audit Review and Appeals Staff

- **21 Total Full Time Employees**

All Domiciled at Headquarters/Baton Rouge

- Sales Tax Reviewers 7
- Corporate/Individual Reviewers 7
- Revenue Tax Auditor Specialist (VDA) 1

Audit Review and Appeals

Inventory

Corporate Income/Corporate Franchise and Individual Income Unit:

- 779 Non-Legal Audits
 - Average 111 cases per reviewer
- 109 Legal Audits
 - Average 16 cases per reviewer

Audit Review and Appeals

Inventory

Sales/Excise Tax Unit:

- 683 Non-Legal Audits
 - Average 98 cases per reviewer
- 286 Legal Audits
 - Average 41 cases per reviewer

Voluntary Disclosure Program

	FYE 6/30/17	FYE 6/30/18
Total Applications	112	217
Approved Applications	59	104
Disqualified Applications	13	30
Collections	\$4,793,378	\$ 7,265,112



Questions?