



# Compliance System Review

## An Essential Element For Sales and Use Tax

### EHTC State and Local Tax Services

#### INCOME & FRANCHISE TAX

- Tax Minimization Studies
- Business Structure Reviews
- Allocation and Apportionment Planning
- Combined, Consolidated, & Unitary Planning
- Nexus Studies
- Amended State Tax Returns from IRS Audits
- Single Business Tax Training

#### SALES & USE TAX

- Reverse Audits
- Compliance System Review
- Direct Pay & Compliance Agreements
- Exemption Certificate Documentation
- Industrial Processing / Manufacturing Exemption
- Utility Studies
- Nexus Studies
- Sales & Use Tax Training
- Transportation Company
- Procurement Company

#### PROPERTY (AD VOLEM) TAX

- Real Property Tax Reviews
- Personal Property Tax Reviews

#### TAX AUDIT & APPEALS

- Sales & Use Tax Audit Defense & Appeals
- Income & Franchise Tax Audit Defense & Appeals
- Property Tax Audit Defense & Appeals
- State and Local Tax Litigation Support
- Merger & Acquisition Due Diligence Reviews
- Voluntary Disclosure

#### BUSINESS INCENTIVE SERVICES

- Business Relocation & Expansion Services
- Tax Credits, Exemptions, & Abatements
- Grants, Financing, & Infrastructure Assistance

The challenges that companies face with sales and use tax extends past the complexity of sales and use tax laws. The great volume of sales and purchase invoices that are processed by a business makes it impracticable to review each invoice so as to make a tax determination. Therefore, a compliance system is an essential factor to provide assurance that the accurate amount of sales and use tax is paid.

The sales tax review is designed to identify flaws in the compliance system that may cause the taxpayer to underpay or overpay sales tax. It also seeks to identify whether adequate documentation in the form of exemption certificates are retained to substantiate the exemptions from the sales tax.

A use tax compliance review seeks to identify flaws in the compliance system that may cause the taxpayer to omit the payment of use tax on purchases. Specifically, these would include purchases from out-of-state vendors and purchases of dual use property where only a portion of the purchase price would be exempt.

The sales and use tax compliance system review includes a four step process:

**First**, a review and complete understanding of the business and industry of the taxpayer is necessary. This step includes a tour of the taxpayer's facilities and an analysis of the business process.

**Second**, a complete review of the paper flow and accounting system is necessary to understand the tax return preparation procedures. We will also review the source of the information used to prepare tax returns and pay the tax.

**Third**, a review of a representative sample of sales purchase invoices is necessary to verify that the compliance system as well as its policies and procedures are current. We also review the invoices for proper application of the tax.

**Fourth**, the findings are documented in a written report. To the extent any flaws in the compliance system are found, recommendations for improvement are suggested in the report.

The EHTC sales and use tax professionals are available to assist management in the implementation of a compliance system that will be designed to provide reasonable assurance that the proper sales and use taxes are paid and that all exemptions are claimed.