



**OKLAHOMA**  
Tax Commission

AUDIT SERVICES

# DESK AUDIT GUIDE FOR TAXPAYERS



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# INTRODUCTION

## **What is a desk audit?**

A desk audit is a comparison of data to determine if the correct amount of tax has been reported on your tax return(s). The goals of a desk audit are to promote voluntary compliance, identify errors and assist you in understanding your rights and responsibilities under Oklahoma tax laws. An audit can identify problem areas early and prevent them from causing additional tax liabilities. In most cases if errors are found, the process allows you to correct any errors going forward without the burden of a full three-year audit. The auditor may find that no changes are needed because the statutes and rules applicable to the issue under review were followed. Your prompt response to the auditor, along with provision of records in the requested format, will ensure the process is conducted as smoothly as possible.

## **Why was I selected for a desk audit?**

Being selected for a review of your return(s) is not an indication that we believe you have done anything wrong. We select returns for review using a variety of methods and information, such as:

- Computer-based, random selection;
- Analysis of Oklahoma tax return information, such as exemptions;
- Internal Revenue Service records;
- Information sharing programs with other states and agencies; and
- Other sources.

# NAVIGATING THE AUDIT

## **Can someone else represent me?**

You may have someone outside of your business act as your representative during the review. Examples of a personal representative are your accountant, CPA, attorney or a relative. You will need to provide a completed [Power of Attorney](#) (POA) form to the Oklahoma Tax Commission (OTC) before having them contact us. The POA Form BT-129 can be found on our website, [tax.ok.gov](http://tax.ok.gov).

## **How far back can a desk audit go?**

Any return filed timely within the last **three years** may be selected for a review. If the return is a monthly, quarterly or semi-monthly tax return, the period selected for review can be no older than 36 months from the filing date of the return, if filed timely. If the return is an annually-filed return, we can review three years of returns prior to the date filed, or the return due date, whichever is later. In some cases, the OTC may go back further than three years.

## **What happens if I do not provide the requested records?**

If you fail to provide the information or documents as requested, your tax liability will be based on available information. Items that cannot be supported or documented may be disallowed, unexplained differences may be determined as taxable and other methods may be used to establish the correct amount of taxable sales.

## **I just received my inquiry letter. What happens next?**

We will send an inquiry letter notifying you of your selection for an audit and request that you provide information in a specific format. The information can be provided to the OTC through [OKTAP](#).

# NAVIGATING THE LIABILITY

## **What happens after the review?**

If the auditor finds that tax is not due, you will be informed the audit is being closed. Otherwise, the auditor will notify you of the findings and legal basis for any adjustments and conduct an exit interview, if possible. The exit interview may be held in person or by phone with you, your representative, or both. The auditor should include an explanation of the working papers, tax assessment, your taxpayer rights, and deadlines for making payments or filing protests. During the exit interview, make sure you fully understand the reasons for any proposed changes and ask for an explanation of anything about which you are unclear.

After reviewing the information provided, if the auditor finds errors or insufficient documentation, a billing letter will be issued. You will then have the opportunity to respond to the billing letter by providing additional supporting documentation or remitting the additional tax due, as well as correcting all errors going forward on future returns. Once you have received and reviewed the audit findings, you will need to determine whether or not you agree with the findings. It is important you notify Audit Services of any disagreement before the expiration of the 60-day period specified on the billing letter, including any additional information that will resolve the issue. If, after reviewing the additional documentation, the auditor finds a revision is necessary, a revised billing letter will be issued. If you agree with the audit findings and tax is due, make the payment as instructed in the letter, within 60 days to avoid penalty. If the assessed amount of tax and interest are paid in full within the original 60-day notice of billing, penalty will automatically be waived. If you cannot pay the liability in full, contact the OTC Account Solutions group at 405.521.2212 to discuss available payment options.

## **Your rights after audit completion.**

You have the right to an automatic waiver of penalty if you remit payment of tax and interest within 60 days of the original notice of billing letter. The following options are also available when requested in writing within 60 days of the date on the original billing letter. It is important to note that interest will continue to accrue during any of the following options.

You can:

- Request an extension of up to an additional 90 days to go over the findings and submit additional records for review;
- Request consideration for waiver of penalty and interest, which requires tax to be paid in full;
- Request a payment plan;

- Protest the review. If you decide to protest the review, a written statement of your intent to protest, including an outline of the findings in dispute, must be received **before** the final date of the extension. Protests are assigned to our Legal Division. In the event the matter cannot be resolved, it will be set for a hearing before an OTC Administrative Law Judge (ALJ). If your case goes to hearing, you have the choice of representing yourself or having someone else represent you (i.e., your accountant, CPA or attorney);
- Protest the review **after** the deadline. If you decide to protest the review but have missed the 60 day deadline, you may still send in a 221(E) Request for Abatement, within one year of the finalized review. You must be able to show, through a preponderance of evidence, that the review was incorrect in order for the protest to be accepted. A 221(E) Request for Abatement does not have the option of being heard before the OTC ALJ but may be reviewed by the OTC Legal Division; or
- Settle your tax liability. A [Packet S Application for Settlement of Tax Liability](#) may be submitted for tax due once the balance has become final, due and owing. This option can only be used in limited circumstances. Trust fund taxes cannot be settled for less than the tax collected; examples include sales, withholding and mixed beverage tax.

### **If I owe tax, how do I pay?**

You can pay online or by mail.

To pay online:

- Go to [OkTAP](#).
- Log in to your business account and pay using the media number, located on the billing letter.
  - If you are paying within 60 days of the date of the letter, you only need to pay the combined amount of tax and interest due.

To pay by mail:

Send in a check along with the billing coupon to:

Oklahoma Tax Commission  
Oklahoma City, OK 73194

Failure to pay all tax due will cause a tax warrant to be issued against the business. If the tax is owed by a trust, such as sales or withholding tax, a tax warrant will also be issued against each officer, member, partner or individual directly responsible for the collection and remittance of tax.

# OKLAHOMA STATE RULES & STATUTES

You may find additional information regarding various issues discussed in this guide in the [Oklahoma Administrative Code Rules \(OAC\)](#) and [Oklahoma Statutes \(O.S.\)](#).

## REFERENCES

### **Audits**

Sections 710:65-3-30, 710:65-3-31, 710:65-3-33, 710:65-5-1, 710:65-5-2, and 710:65-5-4.  
Okla. Adm. Code

### **Liabilities**

Sections 710:65-3-1, 710:65-5-5, and 710:65-7-3. Okla. Adm. Code  
Sections 68(219.1) and 68(223). Okla. Stats.

### **Protests**

Sections 710:1-5-10, 710:1-5-20, and 710:1-5-71. Okla. Adm. Code  
Section 68(221). Okla. Stats.

### **Waivers**

Sections 710:1-5-11, 710:1-5-12, 710:1-5-116. Okla. Adm. Code

### **Other**

Section 710:1-3-6. Okla. Adm. Code  
Section 68(101). Okla. Stats.