

CAA, 2021: Overview of the tax impacts and COVID- 19 relief provisions



PPP 2.0

\$284 BILLION

to 1st and 2nd time eligible borrowing through 3/21/21

Timing

- The application window for Paycheck Protection Program (PPP) forgivable loans opened Friday, January 15 for lenders with \$1 billion or less in assets — for both first- and second-draw PPP loans.
- The program will begin accepting applications for first- and second-draw loans from large lenders on Tuesday, Jan. 19.



PPP expansion

- 501(c)(6) organizations now eligible
- 2nd draw loans added
- \$2.0 million cap on 2nd loans
- \$4.0 million aggregate cap for corporate groups
- NAICS code 72 can now use 3.5 months of payroll
- Expanded forgiveness costs which includes certain operating expenses, property damages from public disturbances, supplier costs and worker protection (PPE)
- Bankruptcy borrowers now eligible to apply with administrative claim treatment
- Previous EIDL grant (up to \$10,000) offset to PPP loan forgiveness now eliminated, retroactive to already forgiven PPP loan, SBA will work with banks to fund prior EIDL grant offsets

2nd round restrictions

- less than 300 employees and 25% decreased quarterly revenue 2019 to 2020
- PPP1 has to have been spent prior to receiving PPP 2
- Gross receipts per SBA definition 13 CFR 121.104
- Same affiliation rules for PPP1 apply to PPP 2

Streamlined processes

- Simplified PPP 2 loan documentation requirements – if you utilize same 2019 payroll information and bank, no payroll related documentation needs to be provided
- Simplified loan forgiveness application increased from \$75k to \$150k with information retention requirements

**New forms, requirements, FAQs,
rules and evidence —**

potentially more streamlined and efficient
than first go around



IFR and Applications

SMALL BUSINESS ADMINISTRATION

13 CFR Parts 113, 120 and 121

[Docket No. SBA-2021-0001]

RIN 3245-AH62

DEPARTMENT OF THE TREASURY

RIN 1505-AC74

Business Loan Program Temporary Changes; Paycheck Protection Program as Amended by Economic Aid Act

AGENCY: U. S. Small Business Administration; Department of the Treasury.

ACTION: Interim final rule

SUMMARY: On April 2, 2020, the U.S. Small Business Administration (SBA) posted an interim final rule announcing the implementation of sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Section 1102 of the CARES Act temporarily adds a new program, titled the "Paycheck Protection Program," to the SBA's 7(a) Loan Program. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the Paycheck Protection Program (PPP). The PPP is intended to provide economic relief to small businesses nationwide adversely impacted by the Coronavirus Disease 2019 (COVID-19). Subsequently, SBA published twenty-three interim final rules providing additional guidance on the PPP (some of which were jointly issued with the Department of the Treasury) and Treasury published one interim final rule. On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) (Pub. L. 116-260) became law. The Economic Aid Act extends the authority to make PPP loans through March 31, 2021 and revises certain PPP requirements. This

**Paycheck Protection Program
Borrower Application Form Revised January 8, 2021**

OMB Control No.: 3245-0417
Expiration Date: 7/31/2021

| | | | |
|---|--|--|--|
| Check One: <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Independent Contractor <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal Business | <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Self-Employed Individual <input type="checkbox"/> 501(c)(6) organization <input type="checkbox"/> Housing cooperative <input type="checkbox"/> Other | DBA or Tradename (if applicable) | Year of Establishment (if applicable) |
| Business Legal Name | NAICS Code | Applicant (including affiliates, if applicable) Meets Size Standard (check one): <input type="checkbox"/> No more than 500 employees or 300 employees, if applicable <input type="checkbox"/> SBA industry size standards <input type="checkbox"/> SBA alternative size standard | |
| Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed) | Business TIN (EIN, SSN) | Business Phone | |
| | Primary Contact | Email Address | |

| | | | | | |
|---|--|---|----|-----------------------------|--|
| Average Monthly Payroll: | \$ | x 2.5 + EIDL (Do Not Include Any EIDL Advance) equals Loan Request Amount: | \$ | Number of Employees: | |
| Purpose of the loan (select all that apply): | <input type="checkbox"/> Payroll Costs <input type="checkbox"/> Covered Property Damage <input type="checkbox"/> Rent / Mortgage Interest <input type="checkbox"/> Covered Supplier Costs <input type="checkbox"/> Utilities <input type="checkbox"/> Covered Worker Protection Expenditures <input type="checkbox"/> Covered Operations Expenditures <input type="checkbox"/> Other (explain): | | | | |

Applicant Ownership
List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

| Owner Name | Title | Ownership % | TIN (EIN, SSN) | Address |
|------------|-------|-------------|----------------|---------|
| | | | | |
| | | | | |

If questions (1), (2), (5), or (6) are answered "Yes," the loan will not be approved.

| Question | Yes | No |
|---|-----|----|
| 1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy? | | |
| 2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is (a) currently delinquent, or (b) has defaulted in the last 7 years and caused a loss to the government? | | |
| 3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management (including a management agreement) with any other business? If yes, list all such businesses (including their TINs if available) and describe the relationship on a separate sheet identified as addendum A. | | |
| 4. Did the Applicant receive an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B. | | |
| 5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant presently incarcerated or, for any felony, presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction? <i>Initial here to confirm your response to question 5 →</i> | | |
| 6. Within the last 5 years, for any felony involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance, or within the last year, for any other felony, has the Applicant (if an individual) or any owner of the Applicant (1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; or 4) commenced any form of parole or probation (including probation before judgment)? <i>Initial here to confirm your response to question 6 →</i> | | |
| 7. Is the United States the principal place of residence for all employees included in the Applicant's payroll calculation above? | | |
| 8. Is the Applicant a franchise? | | |
| 9. Is the franchise listed in the SBA's Franchise Directory? If yes, enter the SBA Franchise Identifier Code here: _____ | | |

SBA Form 2483 (1/21) 1

**Paycheck Protection Program
Second Draw Borrower Application Form**

OMB Control No.: 3245-0417
Expiration Date: 7/31/2021

| | | | |
|---|--|--|--|
| Check One: <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Independent Contractor <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal Business | <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Self-Employed Individual <input type="checkbox"/> 501(c)(6) organization <input type="checkbox"/> Housing cooperative <input type="checkbox"/> Other | DBA or Tradename (if applicable) | Year of Establishment (if applicable) |
| Business Legal Name | NAICS Code | Applicant (including affiliates, if applicable) Meets Size Standard (check one): <input type="checkbox"/> No more than 500 employees or 300 employees, if applicable <input type="checkbox"/> SBA industry size standards <input type="checkbox"/> SBA alternative size standard | |
| Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed) | Business TIN (EIN, SSN) | Business Phone | |
| | Primary Contact | Email Address | |

| | | | | | |
|---|--|--|----|---|--|
| Average Monthly Payroll: | \$ | x 2.5 (or x 3.5 for NAICS 72 applicants) equals Loan Request Amount (may not exceed \$2,000,000): | \$ | Number of Employees (including affiliates, if applicable; may not exceed 300): | |
| Purpose of the loan (select all that apply): | <input type="checkbox"/> Payroll Costs <input type="checkbox"/> Covered Property Damage <input type="checkbox"/> Rent / Mortgage Interest <input type="checkbox"/> Covered Supplier Costs <input type="checkbox"/> Utilities <input type="checkbox"/> Covered Worker Protection Expenditures <input type="checkbox"/> Covered Operations Expenditures <input type="checkbox"/> Other (explain): | | | | |

Applicant Ownership
List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

| Owner Name | Title | Ownership % | TIN (EIN, SSN) | Address |
|------------|-------|-------------|----------------|---------|
| | | | | |
| | | | | |

If questions (1), (2), (4), or (5) are answered "Yes," the loan will not be approved.

| Question | Yes | No |
|---|-----|----|
| 1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy? | | |
| 2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is (a) currently delinquent, or (b) has defaulted in the last 7 years and caused a loss to the government? | | |
| 3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management (including a management agreement) with any other business? If yes, list all such businesses (including their TINs if available) and describe the relationship on a separate sheet identified as addendum A. | | |
| 4. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant presently incarcerated or, for any felony, presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction? <i>Initial here to confirm your response to question 4 →</i> | | |
| 5. Within the last 5 years, for any felony involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance, or within the last year, for any other felony, has the Applicant (if an individual) or any owner of the Applicant (1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; or 4) commenced any form of parole or probation (including probation before judgment)? <i>Initial here to confirm your response to question 5 →</i> | | |
| 6. Is the United States the principal place of residence for all employees included in the Applicant's payroll calculation above? | | |
| 7. Is the Applicant a franchise? | | |
| 8. Is the franchise listed in the SBA's Franchise Directory? If yes, enter SBA Franchise Identifier Code here: _____ | | |

SBA Form 2483-SD (1/21) 1

Michigan Small Business Survival Grant



Michigan Small Business Survival Grant: A single, statewide application for the program will be live at michiganbusiness.org/survival at 9:00 a.m. EST on Tuesday, January 19 through 12:00 p.m. (noon) EST on Friday, January 22.

Michigan Stages Survival Grant: Applications will be available at www.michiganbusiness.org/stages starting at 9:00 a.m. EST on Thursday, January 21- 12:00 p.m. (noon) EST on Thursday, January 28, 2021.

[Source: Michigan Economic Development Center](#)

Economic Injury Disaster Loans (EIDL)

- Advances no longer deducted from PPP loan forgiveness
- Allocated \$20 billion through 12/31/21
- \$10,000 grant program will reopen for priority group
 - Priority group defined
 - Is located in a low-income community, as defined for the new markets tax credit (NMTC) in [26 USC § 45D](#)
 - Experienced a more than 30% reduction in revenue during an eight-week period between 3/2/20 and 12/31/20 compared to a similar eight-week period in 2019.
 - Have 300 or fewer employees.
 - If you received an initial partial grant for less than \$10,000, you can apply for the difference

Shuttered Venue Operator Grants

The Shuttered Venue Operators (SVO) Grant program was established by The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, signed into law on December 27, 2020. The program includes \$15 billion in grants to shuttered venues, to be administered by the Small Business Administration's Office of Disaster Assistance.

Eligible applicants may qualify for SVO Grants equal to 45% of their gross earned revenue, with the maximum amount available for a single grant award of \$10 million. \$2 billion is reserved for eligible applications with up to 50 full-time employees.

Eligible entities include:

- Live venue operators or promoters
- Theatrical producers
- Live performing arts organization operators
- Relevant museum operators, zoos and aquariums who meet specific criteria
- Motion picture theater operators
- Talent representatives, and
- Each business entity owned by an eligible entity that also meets the eligibility requirements

[Source: sba.gov](https://www.sba.gov)



QUESTIONS

Sales and Use Tax

Rehmann
EMPOWER YOUR PURPOSE

Why Now?

- Increased sales and use tax audits
- Michigan projected budget shortfall of \$4.2B over 2021 and 2022
 - Corporate income tax is approximately 3.8% of the Michigan Budget
 - Sales and Use Tax is approximately 30% of the Michigan Budget
- Corporate Income Tax – fairly simple tax
- No Flow Through Income Tax
- Complicate statutes, rules and ever changing guidance

Agenda

- ❖ Sales and Use Tax Basics
- ❖ Tax Base
- ❖ Exemptions
- ❖ Audits



Sales and Use Tax Basics

Sales tax – A tax on the privilege of making retail sales of certain goods and services

- Generally the legal incidence of the tax is on the seller
- Some states “allow” the seller to reimburse themselves by charging the tax to the customer
- Some states require the seller to charge the customer

(Consumer) Use tax – A tax on the privilege of using, consuming or storing certain goods and services

- Paid directly by the consumer to the state
- Applies when sales tax didn't apply (or was not paid)
- Technically always applies and a credit may be credit allowed for sales tax paid
- Traps for the unwary
 - May only be available if correctly paid – pay sales tax in one state and consume in a different state
 - Typically only available for state level taxes

Basics

Two legally distinct taxes

- Every state that has a sales tax has a use tax
- Rules aren't always quite the same between the two taxes
- Alaska, Delaware, Montana, New Hampshire and Oregon do not have state sales tax (Alaska and Montana have local sales tax)
- Local sales tax exists in 38 states
- Average state rate is 5.7%

Taxability of Services

- Tax originated when most sales were of tangible personal property
- Shifting economy has eroded the tax base
- Most states tax only specific services
- Commonly taxed services
 - Telecommunications and utilities
 - Lodging
 - Printing
 - Linen/laundry services
 - Repairs to tangible personal property



Tax Base

Tax Base

Michigan

The sales tax is levied on the “gross proceeds” of all persons engaged in the business of making sales at retail by which ownership of **tangible personal property** is *transferred for consideration*.

“Gross proceeds” = sales price

“Tangible personal property” = property that can be seen, weighed, measured, felt, or touched...includes electricity, water, gas, steam and prewritten computer software

Tax Base

- Shipping, Handling, Freight - etc.
- If the item being shipped is itself taxable, the S&H charge may be taxable
- States fall into several categories
 - Charge is always taxable even if separately stated and regardless of when incurred
 - Charge is exempt if separately stated regardless of when incurred
 - Charge is exempt if separately stated and S&H occurs after the sale (generally meaning title has passed and/or customer has option to use their own delivery service)

Tax Base

- Caution #1
Avoid terms like “handling,” “processing” or “packaging” – Some states will use these terms to treat the entire charge to be taxable
- Caution #2
Some states will consider S&H charges to be taxable if they are not a direct passthrough of freight-out costs
- Caution #3
Some states employ a cumbersome facts-and-circumstances test to determine taxability, and that test can only be answered from the seller’s side, even though the state will try to use it to impose use tax on the buyer

Michigan

- "Sales price" means the total amount of consideration, including cash, credit, property, and services, for which tangible personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, and applies to the measure subject to sales tax. Including:
 - Delivery and Installations charges incurred or to be incurred before the completion of the transfer of ownership of tangible personal property subject to the tax levied under this act from the seller to the purchaser. A seller is not liable under this act for delivery charges allocated to the delivery of exempt property

Tax Base

Michigan

- For ready mix concrete – when does the transfer of ownership tax place?
 - When the product leaves the plant?
 - When the customer test the product?
 - When the product is being emptied from the truck?
 - When the documentation states it is transferred?
 - Can you rely on standard business practice?
 - Can you rely on industry standard?

Tax Base

Michigan Revenue Administration Bulletin 2015-17

The Department will consider all facts and circumstances of the transfer of ownership of the property to determine if delivery or installation charges are taxable, including, but not limited to:

1. Whether the customer has the option to either pick up the property or have the property delivered;
2. Whether the delivery or installation charge is separately negotiated and contracted for on a competitive basis;
3. Whether the property and delivery or installation charges are separately invoiced;

Michigan Revenue Administration Bulletin 2015-17 – Continued

4. Whether the taxpayer's books and records separately identify the transactions used to determine the tax on the sale at retail;
5. Whether delivery or installation service records indicate a net profit (i.e., the delivery or installation service is a commercial endeavor separate from the retail business);
6. The time at which risk of loss transfers from seller to buyer;
7. The time at which title to the property passes from seller to buyer;
8. Any other information that is relevant in determining when ownership transfers.

None of the above factors, standing alone, conclusively determine the taxability of delivery or installation charges; the Department will look at the entire transaction when making its determination.

Tax Base

Michigan Revenue Administration Bulletin 2015-17 – Continued

Facts

- Ready mix concrete provider also offers pumping services
- Some customer purchase ready mix and do not purchase pumping services
- Some customers purchase ready mix and purchase pumping services from a different provider
- Some customer only purchase pumping services
- Ready mix concrete and pumping services are not separately invoices but are separately states on the invoice
- Load Ticket indicates transfer of ownership takes place when the ready mix leaves the plant
- Purchaser must pay for the concrete before any concrete is unloaded

Tax Base

Michigan Revenue Administration Bulletin 2015-17 – Continued

Are pumping services installations charges incurred before the completion of the transfer of ownership of the concrete and included in the tax base?

- Implication to seller
- Implication to purchaser



Exemptions

Exemptions

Does the purchaser have sales tax exempt status?

- Federal Government
- State Municipalities (sometimes)
- Educational Institutions (sometimes)
- Not-for-Profit 501(c)(3) Organizations
- Manufacturing/Industrial Processors
- Sale-for-Resale
- Rolling Stock
- Agriculture
- Native American Reservation Transactions
- Occasional or Isolated Sales (sometimes)

Exemption & Exclusions

Exemptions are expressed in the following ways

- Explicitly (by law)
- As exceptions to the definition of “engaging in business of selling tangible personal property at “retail” or “sales of taxable services”
- Federal and State limitations (constitutional limitations)

- As exclusions from a taxable category:
 - Basis of the nature of the product (exempt organization)
 - The type of transaction (resale)
 - The nature of the entity selling or buying the product (manufacturer or charitable organization)

Exemption Certificates

A seller must obtain and keep exemption certificates signed by the purchaser as evidence for any exempt sales transaction.

- “Burden of Proof” is on seller
- Must be a “valid” certificate
- Certificates can expire – requirements vary by state
- Federal 501(c)(3) exemption does not necessarily provide state level exemption
- Can generally accept at face value

Charge tax if no certificate is provided

Exemption Certificates

- **Purchasers** - responsible to ensure eligibility of exemption being claimed.
- All claims are subject to audit.
- Non-qualified transactions are subject to tax, penalty and interest

Exemption Certificates

- Sellers are required to maintain records, paper or electronic, of completed exemption certificates for the open statute of limitations (generally four years for Michigan).
- Michigan does not issue “tax exempt numbers” and a seller may not rely on a number for substitution of an exemption certificate.
- Sellers in Michigan may accept the Uniform Sales and Use Tax Certificate approved by the MTC, the Streamlined Sales and Use Tax Agreement Certificate of Exemption, the same information in another format from the purchaser, or resale or exemption certificates or other written evidence of exemption authorized by another state or country

Exemption Certificates

Contractor – a contractor in the business of constructing, altering, repairing, or improving real estate for others can claim an exemption for property affixed to or made a structural part of real estate that qualifies as:

- Nonprofit Hospital – only certain entities and only certain portions of the building
- Qualified Nonprofit Housing
- Church Sanctuaries
- Qualified Water or Air Pollution Control Facilities
- Qualified Convention Facilities
- Qualified Data Centers
- Indian Tribes
- Qualified Business Activity (Enterprise Zones)
- Foundations for Certain Machinery/Equipment used in Industrial Processing

Exemption Certificates

Contractor – Continued

- Obtain an exemption form 3372
- Obtain an executed Form 3520 – Contractor Eligibility Statement
 - Does not absolve the contractor of sales or use tax liability. If it is determined that some or all of the property does not qualify for the exemption, the contractor is liable for use tax as the consumer.

Exemption Certificates

Contractor – Continued – Example 9 Michigan Revenue Bulletin 2016-18

Contractor enters a contract to build a sanctuary for Church. Church indicates to Contractor that all of the areas that are being constructed are exempt areas and provides a completed Contractor Eligibility Statement. Contractor purchases all of the materials for the construction exempt from sales tax based on this assurance from Church. Contractor remits no use tax on the materials consumed in performing the contract. Upon audit it is determined that 40% of the area constructed by Contractor is used for a nonexempt purpose. Contractor is liable for use tax on the purchase price of the materials used to construct the nonexempt areas of the building.

Purchases

Purchases

What is manufacturing, and when does it begin and end

Exempt vs. taxable status for common purchases

- Raw materials
- Equipment
- Supplies and consumables
- Utilities

Manufacturing definition

- Terminology – Manufacturing, processing, generating, assembling, refining, mining, extracting, fabricating
- Michigan defines it as industrial processing and it is The activity of converting or conditioning tangible personal property by changing the form, composition, quality, combination, or character of the property..."

Purchases

Beginning and End of the Industrial Process

When it begins and when it ends determines if a purchase qualifies for an exemption

- Equipment
- Supplies
- Utilities
- Storage Shelves
- Tanks
- Material Handling Equipment (e.g. Lift Trucks)
- Quality Control Supplies

Michigan Revenue Administration Bulletin 2000-4

Purchases

- Tools - used on the job are almost always taxable
- Significant Area of audit risk is purchases of used equipment
 - Seller may not be required to charge tax (casual or bulk sale)
 - Need a process to self-assess and remit if necessary

Utilities

Gas and electric generally exempt ... to the extent used in manufacturing

Need to determine exempt usage percentage

- Trace usage directly to manufacturing equipment
- Utility study
- Allocation based on square and/or cubic feet of building
- Consider high-draw vs. low-draw areas (e.g. laboratory vs. warehouse)
- Normal operating hours
- Plant shut-downs
- Contemporaneous documentation is best support

Percentage will be reviewed and challenged on every audit.

Other Considerations *Exemption Certificates*

When purchasing

- Easier to claim exempt up-front than request a refund from vendor for overpaid sales tax
- Utility companies have simplified procedures to request refunds
- Partially-exempt equipment can be tough because vendors often can't handle partial exemption claims
 - Claim fully exempt and then self-assess and remit use tax
- Recommend a self-audit/reverse-audit periodically to ensure all available exemptions are being claimed

Purchases

Other Considerations

Exemption Certificates - Mixed Use of Supplies

Michigan Revenue Administration Bulletin 2000-4

Example 32

A cement mixer at a plant or job site in the concrete manufacturing process is exempt under industrial processing. Tires and repair parts attached to the concrete mixing truck or to the mixer are exempt. Supplies used or consumed in the concrete mixing truck such as gasoline, oil, antifreeze, windshield washer solvent, transmission, brake fluid, etc., are subject to tax.



Handling Audits

Audits

Audit results aren't just a foregone conclusion... Strategize!

- Verify if the audit is sale tax, use tax or both
- Determine point person
 - Internal
 - Third party provider
- Respond promptly to all request
- Only provide information requested – cannot un-ring the bell
- Review time line and commitments
- Identify issues and analyze options
- Set working parameters – onsite? At their office? Electronic?
- Be courteous
- Take contemporaneous notes and contact manager if necessary

Audits

Audit results aren't just a foregone conclusion... Strategize!

- Pre-audit plant tour
 - Stage the plant with partial-use equipment in processing areas and minimize use in moving raw and finished inventory, etc.
 - Discuss changes in operations during audit period – more or less activity at times, new or eliminated activities, etc.
 - Determine expense sampling strategy – block vs. statistical
 - Ask questions to identify potential refund opportunities

Educate the auditor, don't let the auditor educate him/herself

Audits

- Request any applicable “internal” audit manuals
- Discuss tax overpayment situations with auditor to determine if and how they can be resolved in the audit
- Review and understand auditor’s exceptions list
 - Missing documentation items
 - Lack of knowledge/information items
 - Truly taxable items

Post Audit

- Save the audit package for future reference
- Follow up with vendors/utilities to verify or update exempt percentages or document why current condition vary from audit period
- Revise procedures
- Consider impact on other states
 - Is treatment similar
 - Refund in one state may = exposure in another state



QUESTIONS

The information contained in this presentation is for general guidance and is intended to offer the user general information of interest. The information provided is not intended to replace or serve as a substitute for any accounting, tax or other professional advice, consultation or service. You should consult with a professional in the respective accounting, tax or other professional area if you have specific questions.

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