

Audits



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Note: This publication summarizes the law and applicable regulations in effect when the publication was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this publication and the law, the decision will be based on the law and not on this publication.

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INTRODUCTION

The information in this publication explains what you should expect from an audit and how you can prepare to make it easier for you and the auditor. It also discusses how to appeal an audit if you disagree with the results.

In general, accounts are subject to audits in three-year intervals, at the time a permit or license is closed out, or in connection with an audit of another permit or license held by the taxpayer or feepayer. Audits may also be initiated as a result of information received from outside sources.

It is important to remember that the conduct of audits is governed by law and Board of Equalization (BOE) policy. In particular, you should keep in mind that:

- Our auditors will impartially determine whether you have reported the correct amount of taxes or fees. Overpayments, as well as underpayments, are considered during an audit.
- Records are required to be provided according to the provisions of [Regulation 1698, Records](#).
- Our audit program is intended to correct errors that result in underreporting or overreporting and to inform you how to properly report your taxes or fees. During an audit, you may ask any questions you have about the law governing taxes or fees or your reporting requirements.
- Our auditors are expected to conduct audits in a professional, courteous and helpful manner.
- Frequently, audits do not result in any change in tax or fee amount due.

Audits will vary depending on the type or size of a business and the issues involved. This publication is not intended as a comprehensive guide. For more detailed information, you may visit www.boe.ca.gov, or you may contact the department that administers the tax or fee for which you have questions (see [For More Information](#)). If you are scheduled for an audit, you should direct your questions to the auditor assigned to your account. Our staff closely follows the policies and procedures provided in our audit and compliance manuals. These manuals, although technical by nature, are available for you to read and may help you follow the audit procedures being used in your audit. Both can be viewed and/or downloaded at www.boe.ca.gov/sutax/staxmanuals.htm. Our audit and compliance manuals can also be ordered from our website at www.boe.ca.gov/cgi-bin/form_search.cgi. You can also ask your auditor to direct you to one or more of our publications written for your specific industry or to our industry specific web pages. *For your protection, it is best to get tax advice in writing* (see [For More Information](#)).

When using this publication for tax programs other than sales and use tax, please note that there may be minor differences in some procedures, or that another state agency may be involved in your audit (see [Appendix](#) for listing of other programs).

AUDIT OBJECTIVE

The objective of an audit is to verify that you have correctly reported taxes or fees on your returns. The appendix describes what the auditor needs to determine in an audit and the types of records that may be requested for examination based on the type of tax or fee under consideration.

In a sales and use tax audit, for example, the auditor wants to determine the following about the returns you have filed:

- Did you report all gross receipts from sales of tangible personal property and taxable labor and services?
- Did you report the cost of all business equipment and supplies that you purchased without tax either from out-of-state vendors or for resale that would be subject to use tax?
- Did you properly claim deductions?
- Did you properly allocate local tax?
- Did you use the correct rate of tax when reporting sales in special tax districts?
- Did you properly apply tax to your sales and uses of tangible personal property?

The auditor's goal is to answer these questions as accurately as possible in the minimum amount of time.



PRELIMINARY ARRANGEMENTS

Initial Contact

As a matter of policy, we rarely start an audit without prior notice. We have found that audits tend to be completed more efficiently when businesses have time to prepare.

Initial contact is usually by phone. If unable to reach you by phone, the auditor may write or visit your business location. During the initial contact, the auditor will tell you the audit period (usually three years) and will ask about your business operations, including the type of records that you keep. The auditor will also tell you what business records you should have ready for the audit and will ask about a convenient date and location to begin the audit.

If you have other tax and fee accounts with the BOE, these accounts may be separately selected for audit. You may request to have all your accounts audited concurrently. Auditing all your accounts together may save time and resources as some of the same records may be required to audit your different tax or fee accounts. Please inform the auditor before the initial appointment if you are interested in joint audits of your BOE accounts.

If you want the audit handled by an authorized representative, such as your accountant or bookkeeper, you should tell the auditor during this initial contact. The auditor can then arrange an appointment with your representative.

If the audit appointment is made by phone, you will be sent a letter confirming the start date of the audit, as well as a copy of [publication 70](#), *Understanding Your Rights as a California Taxpayer*.

Scheduling an Appointment

Auditors can be flexible about the starting date and location of an audit. Normally, you can have up to two or three weeks to prepare. If you feel more time is needed, you can ask for a longer delay.

Delays and Waivers: The auditor may request that you sign a *Waiver of Limitation* for significant delays. This is a document extending the legal requirements should additional taxes or fees be determined within a prescribed three-year period. It also permits you to file a claim for refund for the period covered by the waiver. If you request a delay and there is a credit or refund involved, the auditor may also request that you sign a *Waiver of Credit Interest*. If you have questions about either waiver form, you should discuss them with the auditor.

Although we prefer to conduct the audit at your business location, it can be performed elsewhere. For example, the audit can be conducted at an accountant's office or at any one of our field offices.

If the audit is conducted at your business, you should provide a space with a work surface, an electrical outlet and adequate light. If it is necessary to have the audit at the field office, you will be required to leave all the needed records at the office and accept a receipt for them. Even when the audit is not conducted at your business location, the auditor may still request a tour of your premises to get a better understanding of your operations.

Statute of Limitations

In general, for all taxpayers filing returns, other than those taxpayers who do not hold a permit and elect to report use tax on the California income tax return, the statute of limitations is three years. However, for those taxpayers who fail to file returns, the statute of limitations is eight years.

Amounts due and payable for tax reporting periods before January 1, 2003, may be covered by an extended statute of limitations if:

- You did not participate in the 2005 tax amnesty program, or
- Fraud or intent to evade tax is discovered.

Effective January 1, 2009, when issuing a deficiency determination (a billing) to a responsible person of a terminated, dissolved, or abandoned corporation, partnership, limited partnership, or limited liability company, we may issue a billing within the earlier of:

1. Three years after the last day of the calendar month following the quarterly period in which we obtain actual knowledge of the entity's termination, dissolution, or abandonment. (Knowledge through its audit activities, compliance activities, or written communication by the business.)
2. Eight years after the last day of the calendar month following the quarterly period in which the entity was terminated, dissolved, or abandoned. If the business files a notice of termination, dissolution, or abandonment of the entity with a state or local agency other than the BOE, that filing will not constitute actual knowledge by the BOE of the filing.

For more information, please see [Regulation 1702.5](#), *Responsible Person Liability*, available at www.boe.ca.gov.

Records That Will Be Reviewed

The types of records the auditor will review depend on the tax or fee program for which the audit is being conducted. Please refer to the [Appendix](#) for examples of the records the auditor will need to review and for information on what the auditor will try to determine based on his or her examination of those records.

All records, even those you consider confidential, must be made available for review if they have information about your tax or fee amount due. If you refuse to provide your records, we may issue a subpoena. To protect your privacy, our employees are forbidden by law to divulge confidential information obtained during an audit to any unauthorized persons. Our employees who violate this law are subject to internal discipline and criminal prosecution.

How long should I keep my business records?

You should keep required records for at least *four years* unless we give you specific, written authorization to destroy them sooner.

Exception: Records that cover reporting periods before January 1, 2003, may be covered by an extended statute of limitation if you did not participate in the 2005 Tax Amnesty Program. You must keep those records for at least *ten years*.

If you are being audited, you should retain all records that cover the audit period until the audit is complete, even if that means you keep them longer than four years. In addition, if you have a dispute with us about how much tax you owe, you should retain those related records until that dispute is resolved. For instance, if you appeal the result of an audit or another determination (billing), or you file a claim for refund, you should keep your records while that matter is pending.

For more information, you may obtain a copy of [publication 116](#), *Sales and Use Tax Records*, or [Regulation 1698](#), *Records*, from www.boe.ca.gov or [Customer Service Center](#).

Common Problems With Records

If you have lost or have not kept all of the records mentioned in the [Appendix](#), tell the auditor what records you do have. The auditor may be able to obtain enough information from the available records. If not, you may be required to reconstruct the missing records or the auditor may need to estimate the missing information (in some cases, records can be reconstructed from information supplied by suppliers or customers). You should also remember that if you are found to owe additional taxes or fees because of inadequate record keeping, you may be charged a 10 percent negligence penalty.

Our audits usually cover three years; so you may have some of your records in storage. Whether you should remove the records from storage will depend on the auditor's need for them. Often, records can be left at the storage location if they can be easily retrieved when requested by the auditor.

Third-Party Proprietary Data

For audit purposes, the BOE may obtain information about taxpayers from various sources including other state agencies, businesses, wholesalers, and data houses. Some of this information may include third-party proprietary data that cannot be shared with the taxpayer who is under audit.

In many industries, third parties compile data based on the financial transactions from individuals and companies for the purpose of selling the data. "Proprietary data" is the data not owned by the BOE and marked by a third-party contractor or provider with restrictive language asserting intellectual property rights. The data, including certain data provided to the BOE in a subscription based service, may be copyrighted and distribution is prohibited without the third-party's prior consent.

When our auditors rely upon third-party proprietary data in an audit, they must inform the taxpayer that they are doing so at the time the audit is being conducted. The auditor must also provide the taxpayer information of where they can obtain the data (that is, the third-party source), when available.



Discussion with the Auditor

Before starting the review of your records, the auditor will usually have some questions about your business operations and accounting methods. You should answer these questions as completely as possible. A full understanding of your business and accounting records will enable the auditor to more quickly and accurately complete the audit.

Managed Audit Program

Our Managed Audit Program (MAP) allows certain businesses to conduct a type of self-audit with instructions and guidance from one of our auditors. However, the MAP program is not available for all of our tax and fee programs.

If you qualify for a managed audit and we approved your participation, you will enter into a managed audit program participation agreement, and conduct many of the audit tasks that would ordinarily be performed by our auditor.

If you complete a managed audit and owe additional tax, some of our administered programs have a provision in the law to allow you a reduced interest rate. If you performed a MAP, you will pay interest on the amount due at only *one-half the interest rate* that would otherwise apply. This may result in significant savings to you.

There are other benefits, too. In a conventional audit, our auditor typically reviews your records at your place of business, during working hours. In a managed audit, *you can review your records at a time and location most convenient for your staff*, as long as you finish your work within the time specified.

For more information, [publication 53, Managed Audit Program](#), provides general information regarding our MAP as well as specific instructions for managed audit procedures. Prepayment accounts may now participate in a MAP and we may grant relief for amounts due under [Revenue and Taxation Code section 6596](#) in cases where taxpayers who have participated in the MAP rely on erroneous advice from our staff and fail to pay amounts due.

EXAMINATION AND TESTING

Our auditor usually starts the audit with a preliminary examination of your records. This examination gives the auditor some idea of what records are available and the procedures you use to record your transactions.

The auditor then performs some tests to determine if a complete audit is needed. For a sales tax audit, for example, the auditor may compare:

- The total sales recorded on your books to the total sales reported on your sales tax returns.
- The total sales recorded on your books to the total sales on your income tax returns.
- The amount for tax you collected to the tax reported on your returns.
- Claimed sales for resale to resale certificates.

The auditor might also check your purchase invoices for equipment or supplies purchased without tax or might test your achieved markup on cost.

Please Note: Amended returns filed after your account is assigned to our staff for audit are considered additional records for review. Payments made with amended returns are credited to your audit, thus stopping interest accrual on the amount paid.

Please see the [Appendix](#), for examples of the types of documents reviewed for tax and fee programs other than sales and use taxes.

Based on a brief review of your records, the auditor may feel an audit is not needed. If this is the case, you will receive a notice waiving the audit. *This notice does not constitute written advice that you are reporting tax correctly.*

Prior Audits



Written advice provided to you in a prior audit may be relied upon as “written advice from the BOE” if the prior audit contains written evidence that demonstrates that the issue in question was examined, either in a sample or actual review.

Use of prior audit percentages of error in current audits

At times, under certain circumstances, we can use a percentage of error developed from prior audits of your business for the sales or accounts payable portion of the current audit. This allows us to be more efficient and reduce the burden on those being audited.

If your audit meets the criteria, the auditor and audit supervisor will contact you and explain the program in detail. Upon your approval for us to use the prior percentage, we will provide you with a detailed outline that indicates why your audit was eligible for this program.

The use of a prior audit percentage of error can be used in two subsequent audits.

Computer-assisted audits

If you keep your records in electronic form, we can more readily assess the accuracy of your tax reporting by examining those electronic records. We call this a “computer-assisted audit” (CAA). Businesses usually find this method less time-consuming and more convenient than a conventional audit. Among other things, it dramatically reduces the volume of paper documents required.

In a CAA, we examine your electronic records in addition to some of your paper records. You will download data that we will analyze using specialized software. We will provide guidance and work with your information systems staff to make sure they download the data in a format we can use.

For more information, please see [publication 147](#), *What to Expect in a Computer-Assisted Audit*.

In-Depth Review

If the tests of your records indicate possible reporting errors, the auditor may decide that a more complete examination is needed. This examination could be on an actual basis (looking at every transaction) or on a sample basis (looking at selected transactions).

For a sample basis audit, the auditor generally tries to use a statistical sample. Under this method, the auditor randomly selects enough transactions to enable him or her to draw a conclusion about all of the transactions under review. For example, an auditor may randomly select invoices for a portion of your sales to determine how accurately you have reported tax on all of your sales. If your records are not suitable for a statistical sample, the auditor may use some other sampling method. In general, if an auditor is going to use a sampling method, he or she should discuss the sampling elements with you before finalizing the plan.

Whether the auditor reviews your records on an actual or sample basis depends on the type, size, complexity, and accounting methods of your business. Sampling is normally used when an actual basis review would take too much time. In many cases, the auditor will use both methods on the same audit. For example, he or she may review your asset purchases on an actual basis and use a sample to review sales.

In addition to sampling, the auditor may use a variety of other methods to review your records. The auditor can answer any questions that you or your authorized representative may have about audit methods and procedures. You may also contact the auditor's supervisor for answers to your questions if you believe the auditor has not adequately addressed your concerns.

You should let the auditor know about any disagreements you have with the audit findings. In many cases, you can resolve those disagreements by providing the auditor with more information.



AUDIT FINDINGS

Exit Conference

When the audit is complete, our auditor will arrange to hold an exit conference with you and/or your authorized representative. The auditor's supervisor may also attend. At this conference, the auditor will explain any proposed refunds or additional taxes or fees or let you know that your returns have been accepted as filed.

Even if you have a representative, you should consider attending the exit conference. It will give you a chance to fully review the audit working papers. You can also ask any additional questions you have about the audit process and obtain information about how the law applies to your business. This information may help you to properly report taxes or fees in the future.

Our auditors are required to provide you copies of all the audit working papers. They will normally include an indexed set of schedules prepared by the auditor documenting the tests and examination procedures used in the audit. The audit working papers should also include the auditor's narrative comments describing your records, explaining the purposes of the tests conducted, and interpreting the findings of the tests.

You should let the auditor know if you agree or disagree with the audit findings. As explained later, you will be given an opportunity to discuss your reasons with the auditor's supervisor or another BOE representative.

Notice of Audit Results



If it is determined that you do not owe taxes or fees, or you are not entitled to a refund, you will receive a letter stating that your returns have been accepted as filed.

If the auditor determines that you owe taxes or fees, or are entitled to a refund, he or she will prepare a *Report of Field Audit* or a *Report of Investigation* that summarizes those findings. If you have indicated you agree with the audit findings, the report will be reviewed for accuracy and sent to our Sacramento Headquarters for action. Based on the audit findings, you will later receive:

- A *Notice of Determination* (billing), or
- A *Notice of Refund*

See *Billing or Refund Notice*, for more information on each type of notice and your appeal rights.

Note: You should keep your copies of the audit report and the audit working papers for at least four years.

If You Disagree with the Audit Results

If you indicate you disagree with the audit results, the auditor will generally defer preparing the final audit report and allow you a reasonable amount of time to provide additional information to support your argument. You should clearly explain why you disagree and ask the auditor about the documentation you need to support your position. Once the auditor has considered your reasons and documentation, he or she may:

- Adjust the audit results.
- Request more information and arrange for another discussion, or
- Recommend the next step in resolving the dispute: discussion with the audit supervisor.

Discussion with the Audit Supervisor

The auditor will tell the supervisor that you want to discuss the audit, and the supervisor will call you to schedule a meeting. At this meeting, you may explain why you disagree with the audit results and suggest what should be done to resolve the disagreement. You should also present any documents that support your position.

After considering your reasons, the supervisor will decide whether the audit results should be adjusted and will discuss any proposed adjustments with you. You should let the auditor know if you still disagree with the findings.

Following the meeting, the auditor will prepare the *Report of Field Audit or Report of Investigation* that summarizes the final audit findings. If the report notes you do not agree with the audit results, you will be given the opportunity to meet with a BOE representative to discuss your disagreement.

Discussion with a BOE Representative

If the audit report notes that you do not agree with the audit results, it will usually not be sent to the Sacramento headquarters immediately. Instead, you will receive a letter that gives you ten days to make an appointment with the representative identified in the letter.

Please note: *If you do not respond within ten days, we will assume that you agree with the audit and the Report of Field Audit or Report of Investigation will be sent to our Headquarters office in Sacramento for processing, billing or refund.*



Since this discussion is the last step before you receive a billing or refund notice, you should present any information that you feel can resolve the disagreement. As with the meeting with the audit supervisor, our representative may recommend a change to your tax refund or tax amount due if the information you provide at that time is found acceptable. Any proposed adjustments will be discussed with you. Next, our representative will review the issues involved to determine whether the audit is correct. Depending on the findings, the representative will then recommend that a Notice of Determination or Notice of Refund be issued as applicable.

Prepaying an Amount Due

Whether you agree or disagree with the audit findings, you may wish to prepay the proposed liability to avoid the additional accrual of interest. For *most* amounts due, payments are first applied to the amount of tax owed. Interest will continue to accrue on the amount of tax still owed. Once the tax amount is paid in full, interest will stop accruing. However, payments on motor vehicle fuel tax liabilities are applied first to interest charges, then penalty charges (if any), and last to the tax amount due. Therefore, for *motor vehicle fuel tax* liabilities, the entire amount due must be paid to stop interest from accruing. You may prepay the full amount due, or a portion thereof, prior to receipt of a billing notice. [BOE-1, Audit Payment Information](#), is available at www.boe.ca.gov, or from your auditor. This form also contains more information on prepayments. Please note, we do not presume that prepayment of the amount due indicates your agreement with the audit results.

BILLING OR REFUND NOTICE

Notice of Determination (billing)

If you receive a *Notice of Determination* indicating that you owe additional taxes or fees, please note the issue date. Within 30 days of that date, you must either:

- Pay the billed amount, or
- File an appeal (“petition for redetermination”) if you disagree with the billing.

If you do not take either action within that time period, you will be assessed a penalty equal to *ten percent of the unpaid taxes or fees due*. If you do not pay the billed amount, we may take collection actions, including filing liens or levies. For information on the collection process, please refer to [publication 54, *Tax Collection Procedures*](#), available at www.boe.ca.gov.

If you miss the 30-day deadline, you cannot file a petition for redetermination and must pay the billed amount. However, you can “appeal” your payment by filing a claim for refund for *each* payment. For more information, see [publication 17, *Appeals Procedures: Sales and Use Taxes and Special Taxes*](#).

Note—Interest Charges

If you appeal the *Notice of Determination* (that is, you file a petition for redetermination), you should consider paying the billed tax or fee amount, or at least the undisputed portion, before your appeal is resolved. This is because interest charges continue to accrue on any unpaid portion of the tax or fee. If you are successful in your appeal, any overpaid tax or fee will be refunded with interest. Although the majority of petitions are decided in less than a year from the date the petition is first acknowledged, some cases may take several years to be resolved. If you think you may have difficulty paying a determination, please contact your local field office.

You may call our Customer Service Center at 1-800-400-7115 or check our website for information on the current interest rates for unpaid amounts due and refunds. You can also call the Customer Service Center for information on the status of your appeal or to request the amount of interest that has accumulated to date or refer to our on line interest calculator at www.boe.ca.gov. Click “Sales and Use Tax,” then look under “General Interest” and click “Internet Calculator.”

Interest and Penalties

For more information regarding audit interest and penalties with regard to sales and use tax audits, please review our [publication 75, *Interest, Penalties, and Fees*](#). You can also order a copy of the publication, please see the [For More Information](#) section.

Notice of Refund

Before any refund can be issued, our staff must first determine whether you have an outstanding tax liability with the BOE or any other state agency. If you do have such a liability, we may be required to transfer enough of the refund amount to cover it. In addition, refunds over \$100,000 must be approved by the Members of the Board. When an approved refund is \$100,000 or less, BOE Headquarters staff normally issue a *Notice of Refund*. A warrant for the refund amount will be issued by the State Controller and sent with the notice. This usually occurs four to eight weeks after receipt of the *Report of Field Audit*.

If you believe you are entitled to a larger refund, you must file a claim for refund with us. For more information, please review [publication 17, *Appeals Procedures Sales and Use Taxes and Special Taxes*](#).

FURTHER APPEALS PROCEDURES (PUBLICATION 17)

The steps involved in an appeal after this point are explained more fully in [publication 17, Appeals Procedures Sales and Use Taxes and Special Taxes](#). If you have not already received a copy, you should ask the auditor for one. You may download a copy from www.boe.ca.gov.

If you do appeal, you should carefully read all notices and letters sent by us. *Failure to respond within stated time limits can result in denial of your appeal.*

Proposing a Settlement of a Disputed Amount Due

While you are pursuing an appeal, you may also propose a settlement of your case.

[Publication 17](#) provides information on our settlement program.

Offers in Compromise

The Offers in Compromise (OIC) Program is for tax and feepayers that do not have, and will not have in the foreseeable future the income, assets or means to pay their amount due in full. It allows a tax or feepayer the ability to offer a lesser amount for payment of a nondisputed final tax amount due on a closed out account.

Effective January 1, 2009, through December 31, 2012, the OIC Program will also entertain offers on qualified open active accounts where we find no evidence that the taxpayer has collected an amount for tax and the taxpayer has not previously received a compromise.

[Publication 56, Offers in Compromise](#), available from our website or from our Customer Service Center, also provides more information on the OIC Program.



FOR MORE INFORMATION

For additional information or assistance with how the Sales and Use Tax Law applies to your business operations, please take advantage of the resources listed below.

CUSTOMER SERVICE CENTER

1-800-400-7115

TTY:711

Customer service representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. In addition to English, assistance is available in other languages.

FIELD OFFICES

City	Area Code	Number
Bakersfield	1-661	395-2880
Culver City	1-310	342-1000
El Centro	1-760	352-3431
Fairfield	1-707	427-4800
Fresno	1-559	440-5330
Glendale	1-818	543-4900
Irvine	1-949	440-3473
Norwalk	1-562	466-1694
Oakland	1-510	622-4100
Rancho Cucamonga	1-909	257-2900
Rancho Mirage	1-760	770-4828
Redding	1-530	224-4729
Riverside	1-951	680-6400
Sacramento	1-916	227-6700
Salinas	1-831	443-3003
San Diego	1-858	385-4700
San Francisco	1-415	356-6600
San Jose	1-408	277-1231
Santa Clarita	1-661	222-6000
Santa Rosa	1-707	576-2100
Ventura	1-805	677-2700
West Covina	1-626	480-7200

Out-of-State Field Offices

Chicago, IL	1-312	201-5300
Houston, TX	1-713	739-3900
New York, NY	1-212	697-4680
Sacramento, CA	1-916	227-6600

INTERNET

www.boe.ca.gov

You can log onto our website for additional information—such as laws, regulations, forms, publications, and policy manuals—that will help you understand how the law applies to your business.

You can also verify seller's permit numbers on the BOE website (look for "[Verify a Permit/License](#)") or call our toll-free automated verification service at 1-888-225-5263.

Multilingual versions of publications are available on our [website](#) at www.boe.ca.gov.

Another good resource—especially for starting businesses—is the California Tax Service Center at www.taxes.ca.gov.

TAX INFORMATION BULLETIN

The quarterly Tax Information Bulletin (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current and archived TIBs on our website at www.boe.ca.gov/news/tibcont.htm. Sign up for our BOE updates email list and receive notification when the latest issue of the TIB has been posted to our website.

FREE CLASSES AND SEMINARS

Most of our statewide field offices offer free basic sales and use tax classes with some classes offered in other languages. Check the Sales and Use Tax Section on our website at www.boe.ca.gov for a [listing of classes and locations](#). You can also call your local field office for class information. We also offer [online seminars](#) including the Basic Sales and Use Tax tutorial and how to file your tax return that you can access on our website at any time. Some online seminars are also offered in other languages.

WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

Please visit our website at: www.boe.ca.gov/info/email.html to email your request. You may also send your request in a letter to: Audit and Information Section, MIC:44, State Board of Equalization, P.O. Box 942879, Sacramento, CA 94279-0044.

TAXPAYERS' RIGHTS ADVOCATE

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see *Understanding Your Rights as a California Taxpayer*, [publication 70](#), or contact the [Taxpayers' Rights Advocate Office](#) for help at 1-916-324-2798 (or toll-free, 1-888-324-2798). Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70; State Board of Equalization; P.O. Box 942879; Sacramento, CA 94279-0070.

Regulations and publications

Lists vary by publication

Selected regulations and publications that may interest you are listed below. A complete listing of sales and use tax [regulations](#), [forms](#), and [publications](#) appears on the [BOE website](#). Multilingual versions of our publications and other multilingual outreach materials are also available www.boe.ca.gov/languages/menu.htm.

Regulations

- 1698 Records
- 1702 Successor's Liability
- 1702.5 Responsible Person Liability
- 1702.6 Suspended Corporations
- 1703 Interest and Penalties
- 1705 Relief from Liability
- 1705.1 Innocent Spouse or Registered Domestic Partner Relief from Liability

Publications

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Department Addresses

For written advice please write to the appropriate department.

Sales and Use Taxes

■ **Business Tax and Fee Department MIC:44**
Audit and Information Section
PO Box 942879
Sacramento, CA 94279-0044

Property and Special Taxes

■ **County Property Tax Division**
Timber Tax Section MIC:60
PO Box 942879
Sacramento, CA 94279-0060
Timber Yield Tax
1-916-274-3330

■ **Special Taxes and Fees MIC:48**
PO Box 942879
Sacramento, CA 94279-0048
1-800-400-7115

Excise Taxes

Alcoholic Beverage Tax
California Cigarette and Tobacco
Products Licensing Act of 2003
Cigarette and Tobacco Products Tax
Emergency Telephone Users Surcharge
Energy Resources Surcharge
Tax on Insurers
Natural Gas Surcharge

Fuel Taxes

Aircraft Jet Fuel Tax
Motor Vehicle Fuel Tax
Diesel Fuel Tax
Jet Fuel Tax
International Fuel Tax
Agreement (IFTA)
Use Fuel Tax
Underground Storage Tank
Maintenance Fee
Childhood Lead Poisoning
Prevention Fee
Oil Spill Response, Prevention, and
Administration Fees

Waste Reduction Environmental Fees

Integrated Waste Management Fee
California Tire Fee
Electronic Waste and Recycling Fee

Environmental Fees

Occupational Lead Poisoning
Prevention Fee
Water Rights Fee
Marine Invasive Species Fee
Hazardous Waste Generator Fee
Hazardous Waste Disposal Fee
Hazardous Waste Facility Fee
Hazardous Waste Environmental Fee
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Audit Objectives and Records Subject to Review

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Tax or Fee *	Audit Objective	Records
Fuel Taxes	The following are examples of the types of information the auditor wants to determine:	The auditor will need to review the following types of records (including records maintained on computer):
Motor Vehicle Fuel Tax	<ul style="list-style-type: none"> • Did you correctly report all rack removals of motor vehicle fuel and other accountable products? • Did you correctly report all sales of motor vehicle fuel to unlicensed suppliers above the rack? • Did you correctly report two-party exchanges? • Did you correctly report total gallons of imports and exports? • Have all below-the-rack purchases been made tax-paid? • Did you correctly claim total credits in number of gallons and use the correct tax rate, supported with proper documentation? • Did you correctly report the amount of motor vehicle fuel used? • Did you use the correct tax rate when reporting? 	<ul style="list-style-type: none"> • Books of account related to all rack removals, purchases, and sales of motor vehicle fuel and accountable products, including general ledger accounts, purchase and sales journals, purchase and sales invoices, bills of lading, pipeline tickets, terminal reports, purchase orders, contracts, and exchange agreements. • A record of all imports and exports of motor vehicle fuel and accountable products. • Physical inventory records of motor vehicle fuel and accountable products. • Refinery production reports. • Terminal Operator reports. • Exemption certificates, shipping documents, or any documentation to support claimed exemptions or credits. • Copies of returns and claims filed with us and the working papers and schedules used to prepare the returns.

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Tax or Fee *	Audit Objective	Records
	<p>The following are examples of the types of information the auditor wants to determine:</p>	<p>The auditor will need to review the following types of records (including records maintained on computer):</p>
Jet Fuel Tax	<ul style="list-style-type: none"> • Did you correctly report the total gallons of jet fuel you sold? • Did you correctly report the gallons of aircraft jet fuel used by you as an aircraft jet fuel user? • Did you correctly report the number of gallons of aircraft jet fuel sold to the United States Armed Forces? • Did you correctly report the number of gallons of aircraft jet fuel sold to aircraft manufacturers? • Did you correctly report the number of gallons of aircraft jet fuel sold to air common carriers? • Did you correctly report the gallons of aircraft jet fuel exported? • Did you correctly report the gallons of aircraft jet fuel sold to registered jet fuel dealers? • Did you use the correct tax rate when reporting? 	<ul style="list-style-type: none"> • Books of account relating to jet fuel purchased or produced and sales of jet fuel; including general ledger accounts, purchases and sales journals, purchase and sales invoices, bills of lading, purchase orders and contracts. • A record of all imports and exports of aircraft jet fuel. • Physical inventory records of aircraft jet fuel. • Copies of common carrier exemption certificates. • A record of all sales to the United States Armed Forces including supporting purchase orders, sales invoices, and contracts. • Copies of contract with jet fuel suppliers on into-plane programs and/or other fueling services of branded jet fuels.
Use Fuel Tax	<ul style="list-style-type: none"> • Do you have proper fuel permits or licenses to operate vehicles that are powered by liquefied petroleum gas (LPG), liquefied natural gas (LNG), compressed natural gas (CNG), or certain alcohol fuels on public roads? • Did you properly claim and support exemptions? • Did you use the correct tax rate when reporting? 	<ul style="list-style-type: none"> • Books of account related to all use fuel, including general ledger accounts, purchase and sales journals, purchase and sales invoices, and bills of lading. • Copies of returns filed with us and the working papers and schedules used to prepare the returns.

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Tax or Fee *

Audit Objective

The following are examples of the types of information the auditor wants to determine:

International Fuel Tax Agreement (IFTA)

- Did you correctly report all miles traveled by your IFTA qualified vehicles?
- Did you correctly report total gallons of fuel used by your IFTA qualified vehicles during the reporting period?
- Did you correctly report gallons of tax paid fuel used by your IFTA qualified vehicles during the reporting period?
- Did you correctly report fuel used from your bulk fuel storage?



Records

The auditor will need to review the following types of records (including records maintained on computer):

- Trip distance records such as, Individual Vehicle Distance Reports, driver daily logs, trip reports and/or onboard recording devices.
- Distance records should include all of the following information: Date of trip (starting and ending), trip origin and destination, beginning and ending odometer readings, odometer readings at the crossing of each jurisdictions, routes of travel, total trip miles, distance by jurisdiction, vehicle unit and fleet number.
- Fuel records and fuel receipts, should contain the following information: Date of purchase, name and address of the seller, number of gallons purchased, type of fuel purchased, price per gallon, or total sale amount if included, unit and fleet number of the vehicle into which the fuel was placed, and purchaser's name.
- Bulk purchase invoices and bulk inventory records showing that tax was paid on your bulk fuel purchases. The records should contain the following information: Date and number of gallons withdrawn, fuel type, unit and fleet number of the vehicle into which the fuel was placed, and location of your storage facility.
- Copies of returns and claims filed with us and the working papers and schedules used to prepare to prepare the returns.
- Records should be retained a minimum of four years.

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Tax or Fee *	Audit Objective	Records
Diesel Interstate Users (DI)	<p>The following are examples of the types of information the auditor wants to determine:</p> <ul style="list-style-type: none"> • Did you correctly report all miles traveled? • Did you correctly report total gallons of fuel used by your DI qualified vehicles during the reporting period? • Did you correctly report gallons of tax paid fuel used by your DI qualified vehicles during the reporting period? 	<p>The auditor will need to review the following types of records (including records maintained on computer):</p> <ul style="list-style-type: none"> • Trip distance records such as, Individual Vehicle Distance Reports, driver daily logs, trip reports and/or onboard recording devices. • Distance records should include all of the following information: Date of trip (starting and ending), trip origin and destination, beginning and ending odometer readings, odometer readings at the crossing of the border, routes of travel, total trip miles or kilometers, distance by country, vehicle unit and fleet number. • Fuel records and fuel receipts, should contain the following information: Date of purchase, name and address of the seller, number of gallons or liters purchased, type of fuel purchased, price per gallon or liter, or total sale amount, tax amount if included, unit and fleet number of the vehicle into which the fuel was placed, and purchaser's name. • Copies of returns and claims filed with us and the working papers and schedules used to prepare the returns. • Records should be retained a minimum of four years.

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Tax or Fee *	Audit Objective	Records
Diesel Fuel Tax Suppliers	<p>The following are examples of the types of information the auditor wants to determine:</p> <ul style="list-style-type: none"> • Did you correctly report all rack removals of diesel fuel and accountable products? • Did you correctly report all sales of diesel fuel to unlicensed suppliers above the rack? • Did you correctly report two-party exchanges? • Did you correctly report total gallons of imports and exports? • Did you correctly report sales of biodiesel, straight vegetable oil, and waste vegetable oil? • Have all below-the-rack purchases been made tax-paid? • Did you correctly claim total deductions in number of gallons and use the correct tax rate, supported with proper documentation? • Did you correctly report the amount of diesel fuel used? • Did you use the correct tax rate when reporting? 	<p>The auditor will need to review the following types of records (including records maintained on computer):</p> <ul style="list-style-type: none"> • Books of account related to rack removals, purchases, and sales of diesel fuel and accountable products, including general ledger accounts, purchase and sales journals, purchase and sales invoices, bills of lading, pipeline tickets, terminal reports, purchase orders, contracts, and exchange agreements. • A record of all imports and exports of diesel fuel. • Physical inventory records of diesel fuel and accountable products. • Refinery production reports. • Terminal Operator reports. • Exemption Certificates, off-highway or usage logs or any documentation to support claimed exemptions/or credits. • Copies of returns and claims filed with us and the working papers and schedules used to prepare the returns.

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Tax or Fee *	Audit Objective	Records
Ultimate Vendors	<p>The following are examples of the types of information the auditor wants to determine:</p> <ul style="list-style-type: none"> • Did you correctly report your sales of tax-paid gallons of fuel to farmers for use on a farm? • Did you correctly report your sales of tax-paid gallons of fuel to exempt bus operators? • Did you correctly report your exports of tax-paid gallons of fuel to the United States Government? • Did you correctly report your exports of tax-paid gallons of fuel exported from this state? • Did you correctly segregate and properly report your purchases of tax-paid clear diesel fuel from your purchases on tax free dyed diesel fuel? • Did you correctly report tax-paid diesel fuel used in your operations for purposes other than to operate motor vehicles on the highway? 	<p>The auditor will need to review the following types of records (including records maintained on computer):</p> <ul style="list-style-type: none"> • Books of accounts related to diesel fuel purchases and sales of diesel fuel and accountable products; including general ledger accounts, purchase and sales journals, purchase and sales invoices, bills of lading, purchase orders, and contracts of sale. • A record of all imports. • Records segregating purchases of untaxed and tax-paid gallons of diesel fuel. • Physical inventory records of untaxed and tax-paid gallons of diesel fuel and other accountable products. • Timely exemption certificates from farmers and exempt bus operators. • A record of all United States Government sales including supporting purchase orders, sales invoices, and contracts. • Supporting documentation for tax-paid diesel fuel claimed as being used off the highway.
Exempt Users	<ul style="list-style-type: none"> • Did you correctly report the gallons of tax-paid diesel fuel that you used in vessels? • Did you correctly report the gallons of tax-paid diesel fuel that you used in construction equipment exempt from registration operated off-highway? • Did you correctly report the gallons of tax-paid diesel fuel that you used in the operation of power take-off equipment? • Did you correctly report your purchases of tax-paid diesel fuel and without tax dyed diesel fuel? • Did you correctly report your sales of dyed and undyed diesel fuel? 	<ul style="list-style-type: none"> • Books of account relating to purchases and sales of clear and dyed diesel fuel and accountable products; including general ledger accounts, purchase and sales journals, purchase and sales invoices, bills of lading, purchase orders, and contracts. • Physical inventory of untaxed and tax-paid gallons of diesel fuel. • Supporting documentation for exempt gallons for which a refund was claimed including fuel logs, trip reports, a list of on-highway and off-highway diesel-powered vehicles, equipment lists, and exempt fuel usage tests.

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Tax or Fee *

Audit Objective

The following are examples of the types of information the auditor wants to determine:

Records

The auditor will need to review the following types of records (including records maintained on computer):

Oil Spill Response, Prevention, and Administration Fees

- Has total crude oil (including condensate and natural gasoline) received at owner's marine terminal/shipping dock, from within or outside the state, been reported?
 - Has total crude oil received at third-party terminal/shipping dock from within or outside the state been reported by the owner of the crude oil or by the terminal operator?
 - Has total crude oil originating from a production facility in marine waters and transported in the state by means of pipeline operating across, under, or through marine waters been reported?
 - Have total petroleum products received at owner's marine terminal/shipping dock from outside the state been reported?
 - Have total petroleum products received from out-of-state at third-party marine terminals/shipping docks been reported by the owner of the petroleum products or the terminal operator?
 - Was the correct fee amount paid?
 - Was ownership of crude oil and other petroleum products properly determined at the time of distribution? Who owns the crude oil or petroleum products at the time of discharge?
 - Was ethanol properly documented?
 - Was the correct measure (net or gross) of crude oil or petroleum products used when reporting to us?
 - Have all marine terminal locations been accounted for?
 - Did you use the correct fee rate when reporting?
- Books of account related to crude oil (including condensate and natural gasoline) and petroleum products received at a marine terminal (including third-party terminals) or transported by pipeline across, under, or through marine waters of this state.
 - Purchase and sales journals, purchase and sales invoices, bills of lading, shipping and discharge records, and contracts showing title.
 - Records identifying all marine terminal/shipping dock locations owned or operated within the state and all third-party locations where crude oil or petroleum products are received.
 - Third-party independent inspection reports (for example, Saybold and Caleb Brett reports), showing loading and discharge of crude and other petroleum products at marine terminals/shipping docks.
 - Refinery records showing the origin and receipt of crude oil used for processing.
 - Records from production platforms accounting for all crude oil and any other products extracted on the platforms and their receipt in this state.
 - Copies of all returns filed with us and the working papers and schedules used to prepare the returns.

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Tax or Fee *

Audit Objective

The following are examples of the types of information the auditor wants to determine:

Underground Storage Tank Maintenance Fee

- Is the underground storage tank account correctly registered to the owner of the tank?
- Did you register every site where you own underground storage tanks?
- Did you report total gallons of petroleum products placed into your underground storage tanks at each of these sites?
- Did you include fuel grade ethanol and biodiesel (B99.9 or lower) in total gallons of petroleum products placed into the underground storage tanks?
- Did you use the correct fee rate when reporting?

Records

The auditor will need to review the following types of records (including records maintained on computer):

- Copies of the Underground Storage Tank Maintenance Fee returns and their related worksheets.
- Purchase invoices for all petroleum products purchased for the audit period, including meter tickets and bills of lading.
- Purchase journals showing gallons of petroleum products purchased.
- Petroleum products inventory records.
- Sales or usage records, including pump meter readings.
- Property tax statements and/or deeds of trust on properties owned where underground storage tanks are located.
- Leases, tank installation contracts, or any other documents that verify ownership of the underground storage tanks.



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Tax or Fee *	Audit Objective	Records
Environmental Fees	The following are examples of the types of information the auditor wants to determine:	The auditor will need to review the following types of records (including records maintained on computer):
Generator Fee, Disposal Fee, and Facility Fee	<ul style="list-style-type: none"> • Do the amounts reported on returns agree with the total amount of hazardous waste and are the wastes properly classified? • Did you file your returns on time and make the correct prepayments? • Are all of your locations that generated more than five tons of waste registered with the BOE? • Have you properly documented exempt waste and waste qualifying for the cleanup rate? • Does the classification reported on the return agree with the permitted size of the facility? • Is the facility operating within the requirements of the permit? • Is your account registered correctly and does it contain current information? 	<ul style="list-style-type: none"> • Copies of returns and reports filed with us, including supporting worksheets. • A listing of all past and current Environmental Protection Agency numbers assigned for your site locations. • Hazardous waste manifests, with supporting documentation, such as weight tickets, and waste profile sheets. • Transporter billings or invoices that support the quantity of waste generated. • Waste stream analysis reports. • Conversion factor computation. • Production reports. • Correspondence with regulatory agencies and copies of site inspection reports, permits, permit modifications and certifications. • Corporate documentation including the officers of record. • For disposal fee exemptions or fee rate determinations: written evidence from the generator citing generator name, site address, and specific explanation of the reason the waste is exempt from the fee or subject to another rate like the cleanup rate. • Unmanifested treated wood waste tonnage reports.

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Tax or Fee *	Audit Objective	Records
Occupational Lead Poisoning Prevention Fee	The following are examples of the types of information the auditor wants to determine: <ul style="list-style-type: none"> • Did you request a fee waiver and has it been granted by the Department of Public Health? • Is your account registered correctly and does it contain current information, including the correct Standard Industrial Classification (SIC) code? 	The auditor will need to review the following types of records (including records maintained on computer): <ul style="list-style-type: none"> • Copies of fee waiver requests and Department of Public Health responses. • Payroll reports and all other documents listing employees, wages, and hours worked. • SIC code documentation.
Environmental Fee	<ul style="list-style-type: none"> • Did you report the correct number of employees on your return? • Is your account registered correctly and does it contain current information? 	<ul style="list-style-type: none"> • Payroll reports and all other documents listing employees, wages, and hours worked. • Employee agreements or contracts.
Marine Invasive Species Fee	<ul style="list-style-type: none"> • Did you report the correct number of vessel voyages on your return? • Is your account registered correctly and does it contain current information, including the correct owner/operator? 	<ul style="list-style-type: none"> • Copies of marine invasive species reports. • Ship schedules, ports of call, and routes taken. • Listing of all vessels, Lloyds number, and operator.

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Tax or Fee *

Audit Objective

The following are examples of the types of information the auditor wants to determine:

Electronic Waste Recycling Fee

- Did you properly report all Covered Electronic Devices (CEDs) sold or leased from all locations on one return?
- Did you properly report all sales of self consumed new or refurbished CEDs in the total number of items sold?
- Did you properly exclude all CEDs sold in interstate or foreign commerce?
- Did you properly exclude all CEDs sold to other retailers for the purpose of resale?
- Did you properly claim number of returned CEDs for a returned merchandise credit?
- Did you properly report CEDs subject to the fee in the appropriate categories?

Records

The auditor will need to review the following types of records (including records maintained on computer):

- Books of account including your income statements, balance sheets, general ledgers, and other summary records of your business operations, including state and federal income tax returns.
- Original documents that support the entries to your books, such as sales and purchase invoices, purchase orders, contracts, bank statements, and any other documents that result from your business operations.
- Resale certificates, exemption certificates, bills of lading, or other documents supporting claimed exempt sales.
- Copies of the returns you have filed with us and the working papers and schedules used to prepare the returns.
- Inventory records and supporting documentation.



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Tax or Fee *

Audit Objective

The following are examples of the types of information the auditor wants to determine:

Integrated Waste Management Fee

- Did you report all tonnage of waste accepted into landfill?
- Did you properly exclude amounts of recycled and inert material waste removed from the waste stream and not disposed of in the solid waste landfill?

California Tire Fee

- Did you report all new retail tires sold?
- Did you properly include all self-consumed tires and company-warranted tires?
- Did you properly exclude wholesale tires sold?

Records

The auditor will need to review the following types of records (including records maintained on computer):

- Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns.
- Original documents that support the entries to your books, such as billing invoices, settlement sheets, customer service records, and any other documents that result from your business operations.
- Copies of returns filed with us and the working papers and schedules used to prepare the returns.
- Reports of waste received.

- Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns.
- Original documents that support the entries to your books, such as sales invoices, credit memos, purchase orders, and other documents that result from your business operations.
- Sales or other reports showing the quantity of retail and wholesale tires sold.
- Copies of returns filed with us and the working papers and schedules used to prepare the returns.
- Inventory records and supporting documentation.



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Tax or Fee *	Audit Objective	Records
Excise Taxes	The following are examples of the types of information the auditor wants to determine:	The auditor will need to review the following types of records (including records maintained on computer):
Alcoholic Beverage Tax	<p data-bbox="370 380 818 443"><i>Winegrowers and Importers of Beer or Wine</i></p> <ul data-bbox="370 464 898 726" style="list-style-type: none"> • Did you report removals of wine from internal revenue bond on payment of federal internal revenue tax? • Did you report imports and exports into or out of California? • Did you properly report claimed exemptions? <p data-bbox="370 779 618 806"><i>Beer Manufacturers</i></p> <ul data-bbox="370 827 898 1005" style="list-style-type: none"> • Did you report federal tax-paid beer removals from the bonded brewery premises? • Did you report all imports and exports into or out of California? <p data-bbox="370 1058 570 1085"><i>Distilled Spirits</i></p> <ul data-bbox="370 1106 898 1430" style="list-style-type: none"> • Did you report taxable sales of distilled spirits? • Did you report exempt sales of distilled spirits? • Did you report inventory transactions of distilled spirits? • Did you properly report claimed exemptions? 	<ul data-bbox="935 380 1471 1446" style="list-style-type: none"> • Books of accounts, including income statements, balance sheets, general ledgers, purchase and sales journals, receiving logs, inventory records, and other summary records of your business operations. • Federal excise tax returns. • Original documents that support the entries made in the types of records listed above (such as sales and purchase invoices and bills of lading). • Copies of returns you have filed with us and the working papers and schedules used to prepare the returns. • Books of account, including income statements, balance sheets, general ledgers, purchase and sales journals, receiving logs, inventory records, and other summary records of your business operations. • Original documents that support the entries made in the types of records listed above (such as sales and purchase invoices and bills of lading). • Copies of returns you have filed with us and the working papers and schedules used to prepare the returns.

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Tax or Fee *	Audit Objective	Records
Cigarette and Tobacco Products Tax	<p>The following are examples of the types of information the auditor wants to determine:</p> <p>Cigarette Tax</p> <ul style="list-style-type: none"> • Did you take actual beginning and ending inventories of cigarettes with stamps affixed and unaffixed? • Did you properly claim tax-exempt distributions? • Did you properly deduct unusable stamps for which you have filed a claim? • Did you report purchases of Non Participating Manufacturer (NPM) brands on Schedule F? <p>Tobacco Products Tax</p> <ul style="list-style-type: none"> • Did you report the wholesale cost of tobacco products distributed (prior to any discounts or trade allowances)? • Did you properly claim tax-exempt distributions? • Did you report tobacco products purchased from a supplier outside of California or imported into California from a foreign country? • Did you report Roll Your Own tobacco product on Schedule T? 	<p>The auditor will need to review the following types of records (including records maintained on computer):</p> <ul style="list-style-type: none"> • Cigarette distributor’s tax reports, Cigarette Distributor’s Stamp and Cigarette Adjustment Tax returns and supporting documents, physical inventory records for stamped and unstamped cigarettes and for fixed and unaffixed cigarette stamps, cigarette tax stamp logs and purchasing records, Tobacco Products Tax returns, invoices and summary records for sales and purchases of cigarettes and tobacco products, list of all tobacco products vendors and their addresses. • Bank statements, canceled checks and cash distributions records, financial statements, balance sheets, general ledgers, and other summary records of your business operations. • Cigarette distributor’s tax reports, Cigarette Distributor’s Stamp and Cigarette Adjustment Tax returns and supporting documents, physical inventory records for stamped and unstamped cigarettes and for fixed and unaffixed cigarette stamps, cigarette tax stamp logs and purchasing records, Tobacco Products Tax returns, invoices and summary records for sales and purchases of cigarettes and tobacco products, list of all tobacco products vendors and their addresses. • Bank statements, canceled checks and cash distributions records, financial statements, balance sheets, general ledgers, and other summary records of your business operations.

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Tax or Fee *	Audit Objective	Records
Emergency Telephone Users Surcharge	<p>The following are examples of the types of information the auditor wants to determine:</p> <ul style="list-style-type: none"> • Did you report all charges for intrastate telephone communication service? • Did you report all charges for intrastate cellular telephone roamer service you provided? • Did you include all CPUC fees, surcharge reimbursements and billing surcharges or surcredits as charges subject to the surcharge? • Did you report bad debts related to intrastate telephone communication service (net-of-recoveries)? • Did you properly exclude interstate cellular airtime charges? • Did you properly exclude separately stated charges for private communication services? 	<p>The auditor will need to review the following types of records (including records maintained on computer):</p> <ul style="list-style-type: none"> • Copies of returns filed with us and the working papers and schedules used to prepare the returns. • Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns. • Original documents that support the entries to your books, such as invoices, settlement sheets, customer service records, and any other documents that result from your business operations. • Documents filed with governmental regulatory agencies and other documents describing the telephone communication services provided.
Energy Resources Surcharge	<ul style="list-style-type: none"> • Did you report all kilowatt hours (kwh) of electrical energy sold? • Did you properly exclude sales to other electrical utilities? • Did you properly exclude energy used directly or lost in the process of generation, transmission, or distribution? • Did you properly exclude bad debt adjustments? • Did you exempt only service users who qualify as exempt from the energy surcharge? 	<ul style="list-style-type: none"> • Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns. • Original documents that support the entries to your books, such as billing invoices, settlement sheets, customer service records, and any other documents that result from your business operations. • Copies of returns filed with us and the working papers and schedules used to prepare the returns.

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Tax or Fee *	Audit Objective	Records
Natural Gas Surcharge	<p data-bbox="370 170 898 275">The following are examples of the types of information the auditor wants to determine:</p> <ul data-bbox="370 312 898 674" style="list-style-type: none"> • Did you report all therms sold or consumed? • Did you properly report therms exempt from the surcharge? • Did you properly apply the correct tax rate for the territory the natural gas was sold or consumed? • Did you properly apply bad debt adjustments? 	<p data-bbox="935 170 1474 275">The auditor will need to review the following types of records (including records maintained on computer):</p> <ul data-bbox="935 312 1474 856" style="list-style-type: none"> • Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns. • Original documents that support the entries to your books, such as billing invoices, settlement sheets, customer service records, and any other documents that result from your business operations. • Copies of returns filed with us and the working papers and schedules used to prepare the returns.
Property Taxes		
Timber Yield Tax	<ul data-bbox="370 957 898 1325" style="list-style-type: none"> • Did you report all timber volume from each of your timber operations? • Did you use the correct timber harvest value? • Did you properly claim deductions? • Did you allocate volume to the correct county and Timber Value Area? • Did you correctly determine the size code for each timber operation? 	<ul data-bbox="935 957 1474 1577" style="list-style-type: none"> • Books of account, including income statements, general ledger, accounts payable, accounts receivable, depletion reports, and other summary records for your business operations. • Original documents, including scale tickets and summaries, remittance advices, timber harvest plans, governmental timber contracts, purchase/sales contracts, bank statements, and any other documents that result from your business operations. • Copies of tax returns and harvest reports and any working papers used to prepare the returns.

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Tax or Fee *

Audit Objective

The following are examples of the types of information the auditor wants to determine:

Records

The auditor will need to review the following types of records (including records maintained on computer):

Sales and Use Taxes

Sales and Use Taxes

- Did you report all gross receipts from sales of tangible personal property and taxable labor and services?
- Did you report the cost of all business equipment and supplies that you purchased without tax either from out-of-state vendors or for resale for your business or personal use?
- Did you properly claim deductions?
- Did you properly allocate tax?
- Did you use the correct rate of tax when reporting sales in special tax districts?
- Did you properly apply tax to your sales and uses of merchandise (tangible personal property)?
- Books of account including your income statements, balance sheets, general ledgers, and other summary records of your business operations, including state and federal income tax returns.
- Original documents that support the entries to your books, such as sales and purchase invoices, purchase orders, contracts, bank statements, cash register tapes, and any other documents that result from your business operations.
- Resale certificates, exemption certificates, bills of lading, or other documents supporting claimed exempt sales.
- Copies of the returns you have filed with us and the working papers and schedules used to prepare the returns.



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