

**WISCONSIN DEPARTMENT OF REVENUE
DIVISION OF INCOME, SALES, AND EXCISE TAX**

NOTICE OF PROPOSED GUIDANCE DOCUMENTS

Pursuant to sec. 227.112, Wis. Stats., the Wisconsin Department of Revenue, Division of Income, Sales, and Excise Taxes hereby seeks comment on the proposed guidance documents listed in the table below.

SUBMITTING PUBLIC COMMENTS

Public comments on proposed or adopted guidance documents may be submitted online at: <https://www.revenue.wi.gov/Pages/contactUs/proposed-Guidance.aspx>.

DEADLINE FOR SUBMISSION

The period for public comment for proposed guidance documents ends 21 days after publication in the Administrative Register, unless the Governor approves a shorter commenting period.

Document Number	Document Title
P511	Publication 511, Office Audit of Wisconsin Income Tax Returns

Office Audit of Wisconsin Income Tax Returns

This is a proposed guidance document. The document has been submitted to the Legislative Reference Bureau for publication in the Administrative Register for public comment as provided by [sec. 227.112\(1\)](#), Wis. Stats.

WHY ARE RETURNS SELECTED FOR OFFICE AUDIT?

The usual reason for selecting Wisconsin tax returns for office audit is to verify the correctness of income, deductions, exemptions, and credits that have been reported on the returns.

The fact that returns have been selected for office audit does not suggest a suspicion of willful evasion of correct tax reporting.

WHAT IS AN OFFICE AUDIT?

An office audit is an examination of your returns to determine if the correct amounts of income, deductions, exemptions, and credits were reported on the tax returns. The Wisconsin Statutes authorize the department to conduct office audits of tax returns. Generally, the audit will be conducted by correspondence; however, some work can be done by telephone or conference. The audit begins when you are notified that your tax returns have been selected for examination.

HOW MANY YEARS WILL BE AUDITED?

An office audit will generally include the tax returns for the last four years. Generally, a notice of assessment or refund resulting from an office audit must be given to the taxpayer within four years of the due date of the return or the date the return was filed, whichever is later.

INTEREST AND PENALTIES

Interest on refunds of taxes is 3% per year; interest on assessments of additional taxes is 12% per year. Interest on delinquent taxes

(taxes not paid by the due date of the return or a notice of assessment) is 18% per year.

If the department provides written notifications for requested records as required by sec. Tax 2.85, Wis. Adm. Code, and you don't provide these requested records in the time specified, a penalty may be imposed. This penalty has the following two parts:

- A. The disallowance of deductions, credits, or exemptions or the inclusion of income to which the requested records relate.
- B. For each violation, \$500 or 25% of the amount of additional tax resulting from any adjustment that was a result of failure to produce requested records, whichever is greater.

Also, if there was negligence in filing the tax return, a penalty may be imposed in the amount of 25% of the additional tax. If a tax return was not filed or an incorrect return was filed with intent to defeat or evade taxes, a 100% penalty may be imposed, depending on the type of tax.

COMPLETION OF THE AUDIT

Upon completion of the audit, the department will provide you with a determination letter or notice. If there is no tax due or no refund, a letter may be sent to you stating there is no change in your tax liability. If there is a notice of refund or amount due, the report will explain the adjustment and show the change in the amount of tax, interest, and penalty (if any).

APPEAL RIGHTS

Publication 506, *Taxpayers' Appeal Rights of Audit Adjustments*, explains in detail your appeal rights. You may find Publication 506 on the department's website at revenue.wi.gov, under the "Publications" link.

REQUEST FOR INSTALLMENT PAYMENTS

If you do not appeal and you do not pay the full amount due, any remaining amount not paid by the due date will be subject to interest at 1 ½% per month. In addition, a delinquent tax collection fee will be imposed equal to the greater of \$35 or 6 ½% of the amount not paid by the original due date and a tax warrant may be issued. After the assessment has gone delinquent, a revenue agent will contact you. At that time, you may request a formal installment payment agreement. However, a formal installment payment agreement cannot be entered into before an assessment has gone delinquent.

REPRESENTATION

You may act on your own behalf or you may have someone represent you during the audit and subsequent appeal. If your representative desires to receive confidential information or a copy of the notice of assessment or refund and audit report, he or she may do so only if authorized by you in writing in a document filed with the department. Form A-222, *Power of Attorney*, or any other properly written power of attorney or authorization may be used for this purpose. Copies of Form A-222 may be obtained from any Department of Revenue office, the auditor, or the department's website at revenue.wi.gov, under the "Forms" link.

APPLICABLE LAWS AND RULES

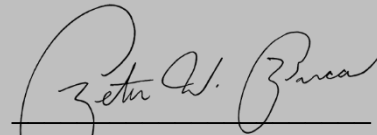
This document provides statements or interpretations of the following laws and regulations enacted as of March 6, 2020: Chapter 71, Wis. Stats., sec. 73.03(33m), Wis. Stats., and sec. Tax 2.85, Wis. Adm. Code.

Laws enacted and in effect after March 6, 2020, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to March 6, 2020, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

Certification Statement

As the Secretary of the Wisconsin Department of Revenue (DOR), I have reviewed this guidance document or proposed guidance document and I certify that it complies with secs. 227.10 and 227.11, Wis. Stats. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is not explicitly required or explicitly permitted by a statute or rule that has been lawfully promulgated. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is more restrictive than a standard, requirement, or threshold contained in the Wisconsin Statutes.

DEPARTMENT OF REVENUE



Peter Barca

Secretary of Revenue