

Managed Audit Program



California Department of Tax and Fee Administration

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PREFACE

This publication provides general information regarding the California Department of Tax and Fee Administration's Managed Audit Program as well as specific instructions for managed audit procedures. The original Managed Audit Program expired on December 31, 2002. The program was reinstated effective January 1, 2004, as required by [Revenue and Taxation Code](#) sections 7076.1 through 7076.4 under Assembly Bill 1043 (Stats. 2003; Ch. 87).

Assembly Bill 3079 (Stats. 2008; Ch. 306) repealed the 2009 sunset date for the Managed Audit Program and extended the program indefinitely under the Sales and Use Tax Law.

Effective January 1, 2015, Assembly Bill 2009 (Stats. 2014; Ch. 105) expanded the Managed Audit Program by adding the following sections to the [Revenue and Taxation Code](#) and the corresponding tax and fee laws:

- 8258 through 8258.4 (Motor Vehicle Fuel Tax Law)
- 9259 through 9259.4 (Use Fuel Tax Law)
- 30457 through 30457.4 (Cigarette and Tobacco Products Tax Law)
- 32458 through 32458.4 (Alcoholic Beverage Tax Law)
- 40177 through 40177.4 (Energy Resources Surcharge Law)
- 41133 through 41133.4 (Emergency Telephone Users Surcharge Law)
- 43507 through 43507.4 (Hazardous Substances Tax Law)
- 45855.6 through 45855.6.4 (Integrated Waste Management Fee Law)
- 46607 through 46607.4 (Oil Spill Response Prevention and Administration Fees Law)
- 50155.6 through 50155.6.4 (Underground Storage Tank Maintenance Fee Law)
- 55306 through 55306.4 (Fee Collection Procedures Law)
- 60611 through 60611.4 (Diesel Fuel Tax Law)*

For the purpose of this publication, unless sections of this publication are noted as being applicable only to Sales and Use Tax managed audits or Special Taxes and Fees managed audits, the word "tax" or "taxes" shall mean "tax, fee, or surcharge" or "taxes, fees, or surcharges," respectively, subject to the statutory provisions of Assembly Bill 3079 (Stats. 2008; Ch. 306) and/or Assembly Bill 2009 (Stats. 2014; Ch. 105). Similarly, the word "taxpayer" shall mean "tax or fee payer" subject to the statutory provisions of Assembly Bill 3079 (Stats. 2008; Ch. 306) and/or Assembly Bill 2009 (Stats. 2014; Ch. 105).

*Licensees registered under the International Fuel Tax Agreement (IFTA) are not eligible to participate in the Managed Audit Program.

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

This publication provides general information regarding the California Department of Tax and Fee Administration's (CDTFA) Managed Audit Program. The program allows certain businesses to conduct a type of self-audit with instructions and guidance from one of the CDTFA auditors. If you qualify for a managed audit and we approve your participation, you will enter into a Managed Audit Program (MAP) Participation Agreement (see [Managed Audit Program](#)) and conduct many of the audit tasks that would ordinarily be performed by a CDTFA auditor. This publication provides general information on the program and specific instructions for audit procedures.

Why should I do part of the audit work myself?

If you complete a managed audit and owe additional tax, you will pay interest on that tax liability at only one-half the rate that would otherwise apply. This can result in significant savings to you.

There are other benefits, too. In a conventional audit, a CDTFA auditor typically reviews your records at your place of business, during working hours. In a managed audit, you can review your records whenever and wherever you like, as long as you finish your work within the time specified.

You'll also gain a more thorough understanding of how tax applies to your business transactions, what kind of records you should keep, and how to improve your business procedures that relate to taxes and fees administered by the CDTFA. This will not only help you in your ongoing business operations but can help ensure that any future audits go smoothly.

Your decision to participate in a managed audit does not affect your right to appeal the audit results. In addition, your participation is entirely voluntary. There are no adverse consequences for choosing to have us conduct your audit in the usual manner.

How do I request to participate in the Managed Audit Program?

If your account has been selected for an audit and you are interested in participating in the Managed Audit Program, discuss it with your auditor. If you request a managed audit, your auditor will assess your business' resources and ability to perform some, or all, of the audit functions. The complexity of your business will be taken into consideration. The CDTFA will consider requests for participation in the Managed Audit Program where the CDTFA has statutory authority to allow participation. However, the CDTFA has sole discretion to accept your request to participate in the program. Once the CDTFA accepts your request to participate in the Managed Audit Program, you will need to complete form CDTFA-526, *Managed Audit Program Participation Agreement*, which is included in this publication.

What kind of work will I be doing?

Under the direction of a CDTFA auditor and using instructions provided in your [MAP Participation Agreement](#) and this publication, you will review your records to determine whether you have fully met your obligations under state, local, and district sales and use tax laws and special tax and fee laws. You may be asked to review all or a representative sample of your sales, purchases, or transactions in the audit period.

Sales and Use Tax Audits:

Typically, you will examine your sales records to see whether you:

- Correctly calculated and timely reported the sales tax due on your transactions.
- Have the required documentation to support any sales or use tax exemptions or exclusions you have claimed.

You will typically review your purchase records to determine:

- Whether you paid California sales or use tax on the purchase.
- Whether you correctly calculated and reported the tax timely.

Special Tax and Fee Audits:

The CDTFA's Special Taxes and Fees Audit Examination Branch performs audits for over 20 different programs. The type of work and records you will examine depends on the specific program under audit. The following are examples of records you will examine for some of the special tax and fee programs:

California Tire Fee Audit

The California Tire Fee is imposed upon the purchase of a new tire. For a California Tire Fee audit, you will examine your sales records to see whether you:

- Correctly calculated and timely reported the tire fee on all new tires sold, self-consumed tires, and warranty tires.
- Have the required documentation to support any exemptions (if applicable).

Covered Electronic Waste Recycling Fee

The Electronic Waste Recycling (eWaste) fee is imposed on the purchase of certain video display devices. For an eWaste audit, you will examine your sales records to see if you:

- Collected and reported the fee on all display devices sold and leased for all locations and included self-consumed new and refurbished devices.
- Properly reported the fee in the appropriate category for each device.

You will review resale and exemption certificates to determine:

- If you properly excluded all sales of devices in interstate or foreign commerce.
- If you properly excluded sales of devices to other retailers for the purpose of resale.

How will I review my records?

As you conduct the reviews, you'll fill out transaction worksheets with the information needed to determine whether you paid the correct amount of tax during the audit period (see TIPS FOR COMPLETING YOUR SALES WORKSHEET - SALES AND USE TAX and TIPS FOR COMPLETING YOUR SALES WORKSHEET-SALES AND USE TAX). A CDTFA auditor may also ask you to perform additional audit tasks, such as reviewing your tax returns, reports, and schedules. The auditor will review your completed work and determine whether you owe more tax, whether you are owed a refund, or whether your tax returns, reports, and schedules were correctly filed.

How will I know what to do?

A CDTFA auditor will indicate in the MAP Participation Agreement which books, records, and equipment purchases you must consider in your review and provide you with detailed instructions.

How much of my time will it take?

The amount of time needed to conduct the audit work will vary, depending on your business operations and records. A CDTFA auditor will give you an estimate of the time required, based on his or her experience.

What happens when I'm done with my portion of the work?

When you've reviewed all of your records and completed the necessary worksheets, a CDTFA auditor will review and verify your work to determine whether you adequately followed instructions and addressed any problem areas. When satisfied that you have accurately completed your part of the work, the auditor will complete the audit and arrange a conference with you to explain the audit results.

For more information regarding notification of audit results and subsequent steps in the process, please see [publication 76, Audits](#) (the CDTFA auditor can provide a copy).

Will the auditor review any of the transactions?

Certain types of transactions are not appropriate for review in a managed audit, for example, those involving complex legal issues. If your records include such transactions, a CDTFA auditor will notify you and let you know which books and records to make available for review. If the CDTFA auditor's review indicates that you owe additional tax on these transactions, interest will apply at the reduced rate, provided you are still approved to participate in the Managed Audit Program.

Why is my business eligible for the Managed Audit Program?

Your business may be eligible for the Managed Audit Program if the tax issues in your business are generally straightforward, your transactions are not subject to a number of exemptions, and you have the resources necessary to do the work.

Do I need to enter into an agreement to get a reduced interest rate in a managed audit?

Yes. If you choose to participate in a managed audit, you will enter into a MAP Participation Agreement with us (CDTFA-526—[Managed Audit Program Participation Agreement](#)). The agreement will:

- Contain your name and account number.
- Specify the period of time covered by the audit.
- Specify a reasonable time period for you to complete your work (generally up to 90 days).
- Specify the types of transactions and records to be reviewed.
- Specify the review method and the periods for the records that will be reviewed.
- Specify the circumstances under which we may void the agreement.
- Specify the time period in which you must pay any tax and interest due.

The agreement explains the terms and conditions of your managed audit. Please read it carefully before you sign and date it. The Principal Auditor of the [office](#) conducting your audit will also sign and date the form. You'll receive a copy for your records.

Can the CDTFA terminate the MAP Participation Agreement?

Under certain circumstances, we can terminate (void) a MAP Participation Agreement. The agreement form includes a list of the events that may cause us to take this action. Please note that these events are unlikely to occur in a managed audit where the taxpayer cooperates fully with the auditor. If we terminate the MAP Participation Agreement, you will not receive the benefit of the reduced interest rate.

How long do I have to decide whether a managed audit is right for me?

Ask a CDTFA auditor. The auditor must begin the audit as soon as possible and will need to make work plans based on your response. The auditor will usually give you a few days to consider how you would like to proceed.

What if I change my mind after I've started?

If after starting the work, you decide not to complete the managed audit, or you do not complete the work that you agreed to do, a CDTFA auditor will finish the job. The full interest rate will apply to any tax liabilities that are disclosed by the audit.

REVIEWING YOUR SALES

Sales and Use Tax Managed Audits

During an audit, the auditor customarily checks your sales records to be sure that you:

- Computed the correct amount of tax.
- Properly reported tax on your transactions.
- Have documents in your records that support any untaxed sales.

In a managed audit, you will be doing this verification yourself. To help you determine whether you have properly reported tax, a CDTFA auditor will provide you with publications that describe the most common nontaxable sales and charges: sales for resale, sales delivered outside California, shipping and delivery charges, and sales to the U.S. government. The auditor will also give you information regarding cash discounts and nontaxable charges such as installation or repair labor.

Assembling your records for review

The CDTFA auditor will indicate in the MAP Participation Agreement which records you will review in the managed audit, as well as the test period and method you will use.

Verifying information in your records

You will need to carefully review your invoices, following procedures explained by a CDTFA auditor and detailed in this section.

If you added an amount for tax to the sale

If your invoice shows that you added an amount for tax to the sale, you need to check the invoice to determine:

- Whether you used the correct tax rate (for sales shipped into or out of special tax districts, see a CDTFA auditor for help). All the rates in California are listed on the CDTFA website at [California City and County Sales and Use Tax Rates](#) or from the [CDTFA Customer Service Center](#).
- Whether you properly calculated the tax amount (check against your sales tax table or calculate the amount of tax due with a calculator).

You should also check the invoice to make sure that you added an amount for tax to all taxable charges and did not add an amount for tax to nontaxable charges. The publications provided by a CDTFA auditor should help you identify common nontaxable charges. If you're not sure how tax should apply to a transaction, contact the CDTFA auditor.

If you find that your invoice lists either too much or not enough tax, you must enter information from the invoice on the blank worksheet provided by the CDTFA auditor (see examples [SAMPLE INVOICE REVIEW - SALES AND USE TAX](#) and [TIPS FOR COMPLETING YOUR SALES WORKSHEET - SALES AND USE TAX](#)).

If you did not add an amount for tax to all or part of the sale

If the invoice shows that you did not add an amount for tax to all or part of your charges, you must take these three steps:

- Enter information for the transaction on the sales worksheet provided by a CDTFA auditor (see examples [SAMPLE INVOICE REVIEW- SALES AND USE TAX](#) and [TIPS FOR COMPLETING YOUR SALES WORKSHEET - SALES AND USE TAX](#)).
- Check your records to see if you have documents that support your decision not to add an amount for tax (see publications provided by a CDTFA auditor).
- Note the type of document in the comment column of the worksheet (for example: *resale certificate*). If you do

not have a customer-provided document on file, note the reason tax does not apply (for example: *repair labor*). If you do not have documentation for a sale for resale, see Alternative method - verifying sales for resale.

PURCHASE ORDERS

You should have a timely and valid resale certificate on file for customers who make purchases for resale using purchase orders. In general, each purchase order should indicate whether the customer's purchase was for resale or whether it was taxable. If the purchase order includes items to be resold *and* items to be used, it must specify which items are being purchased *for resale* (in those words) and which are being purchased for use. You must list on your transaction worksheet any transactions involving a purchase order if you did not add a tax amount to all or part of the sale.

Be sure to set aside your support documents for a CDTFA auditor to review.

Alternative method—verifying sales for resale

As you know, accepting a valid resale certificate in good faith from your customer at the time of a sale relieves you of responsibility for the tax that would otherwise be due. You must retain resale certificates as part of your records. If in verifying a transaction you find that you do not have a valid resale certificate on file or that you do not have other adequate support documents in your records, you may use an alternative verification procedure.

In this procedure, you will send a letter to your customer along with a [CDTFA-504-C, Statement Concerning Property Purchased Without Payment of California Sales Tax](#). Ask the CDTFA auditor for written and oral instructions, a sample letter (called an "XYZ" letter), and copies of the form. Return of the completed form by your customer may relieve you of liability for tax on the transaction, provided your customer properly purchased the item for resale or paid the applicable tax.

Completing your sales verification worksheet

The CDTFA auditor will provide you with paper or electronic transactions worksheets on which you'll enter information for the sales identified earlier in this section. The next two pages show sample invoices and a sample sales worksheet completed with information from the invoices.

As you complete your sales worksheet with information from your actual invoices, you may find that you have questions that are not addressed in this publication or that you're not sure exactly what information to include. Contact the CDTFA auditor if you need more help.

Special Taxes and Fees Managed Audits

The types of records the auditor will review for a special taxes and fees audit will vary by program. For example, the records normally reviewed for a California Tire Fee audit includes sales invoices, purchase orders, general ledgers, income statements, and federal and state income tax returns. The auditor will determine what records will be reviewed and provide audit worksheets for you to enter the required information. To learn more about the types of records reviewed for a specific tax and fee program under audit, please see the Appendix section of [publication 76, Audits](#).

Be sure to keep all listed invoices and related records available for the CDTFA auditor's review.

SAMPLE INVOICE REVIEW - SALES AND USE TAX

The following sample invoice example pertains to a sales and use tax managed audit. The types of information your auditor will request you provide in a special taxes and fees managed audit will vary by program.

Note: Tax rates in this publication may not be current. Be sure to use the correct rates in your audit.

Taxable sale

As you review this invoice, you check to see whether you properly calculated the tax amount. You find that your clerk used the wrong tax rate (the rate for your location is 8.00 percent, not 7.75 percent). The correct tax amount, according to your tax rate table, is \$20.00. You must list this invoice on your worksheet (see line 3 on worksheet, [next page](#)).

Coast Widgets		24207
Any City, CA		
Date: September 15, 2016		P.O. # n/a
Sold to: Cristina Customer 1121 Any Street Any City, CA	Ship to: counter sale	
Item	Cost	Extension
1 widget	250.00	250.00
subtotal		250.00
sales tax @ 7.75%		19.38
shipping		n/a
total		\$ 269.38

Nontaxable sale

You must enter information for nontaxable sales on your sales worksheet (see worksheet line 2, [next page](#)). As you review this invoice for a nontaxable sale for resale, you check to make sure you have a timely and valid resale certificate or other documentation on file. On the worksheet in column N, "Comment," note that you have a resale certificate in your records.

Coast Widgets		24203
Any City, CA		
Date: September 15, 2016		P.O. # 1503
Sold to: Roger Retailer 1112 Hill Street Any City, CA	Ship to: customer's address CV Express	
Item	Cost	Extension
10 widget	250.00	2500.00
subtotal		2500.00
sales tax @ 7.75%		resale cert. on file
shipping		12.50
total		\$ 2512.50

TIPS FOR COMPLETING YOUR SALES WORKSHEET - SALES AND USE TAX

The following worksheet example pertains to a sales and use tax managed audit. The types of information your auditor will request you provide in a special taxes and fees managed audit will vary by program.

Note: Lines 2 and 3 below are completed with information from the sample invoices on the [previous page](#).

	A	B	C	D	E	F	G	H
REF	DATE	SALES INVOICE NUMBER	CUSTOMER NAME	STREET	CITY, STATE, ZIP	SHIP TO	PO NUMBER	PO STATUS
1						①		②
2	9/15/15	24203	Roger Retailer	1112 Hill Street	Any City, CA	same	1503	R
3	9/15/15	24207	Cristina Customer	1121 Any Street	Any City, CA	will call	n/a	

I	J	K	L	M	N	O	P
ITEM	AMOUNT QUESTIONED	AMOUNT TAXABLE	DISTRICT MEASURE	DISTRICT CODE	COMMENT	XYZ SENT	1164 SENT
③	④				⑤		⑥
10 widgets	2500.00				resale certificate		
1 widget	250.00				wrong rate—7.75%		

Please note: Your auditor will complete columns K, L, M, and P, shown above in gray. Please leave these columns blank on your worksheet.

- ① Enter “will call” for over-the-counter sale, “same” if item delivered to customer’s address, name of city if item delivered to another destination (include state if not California).
- ② For sales by purchase order only: enter “R” if customer indicated purchase was for resale; “T” if taxable. If part of sale was not taxable or if customer indicated “not taxable” on purchase order, make note in the “Comment” column.
- ③ Enter quantity and description of merchandise sold.
- ④ Enter amount of sale listed on the invoice, not including tax amount or any nontaxable shipping charges (see [publication 100, Shipping and Delivery Charges](#)). If you’re not sure what amount to enter, ask your auditor.
- ⑤ If you did not add tax to all or part of the sale, enter the type of support documentation you have in your records (see [If you did not add an amount for tax to all or part of the sale](#)). If you do not have a customer-provided document, enter the reason tax did not apply.
If you should have added a tax amount, see next paragraph.

If you added tax incorrectly (see [If you added an amount for tax to the sale](#)), you will need to do one of the following:

- If you used the wrong tax rate, enter “wrong rate” and the rate used.
 - If you reported the wrong tax amount because of a math error or misreading of a tax table, enter “tax miscalculated.”
 - If you added tax to a nontaxable charge, enter “overpaid tax.”
 - If you did not add a tax amount to a taxable charge, enter “underpaid tax.”
- ⑥ If you have sent an “XYZ” letter to the customer to verify a sale for resale, make an X in this column (see [Alternative method—verifying sales for resale](#)).

REVIEWING YOUR PURCHASES - SALES AND USE TAX

The following narrative pertains to a sales and use tax managed audit. The types of purchase information your auditor will request you provide in a special taxes and fees managed audit will vary by program.

During an audit, a CDTFA auditor would typically examine your purchase invoices to determine whether you paid tax on your purchases at the correct rate.

In a managed audit, you may perform these tasks yourself. If you find that use tax was not properly added or calculated on a purchase, you will enter information from your invoice on a purchase worksheet provided by a CDTFA auditor.

Before you begin your review, you may wish to read the “Reminder” section below, which provides a short explanation of how sales and use tax applies to purchases. You may also wish to refer to the publications provided by the CDTFA auditor for guidance regarding nontaxable purchases.

Assembling your records for review

The CDTFA auditor will indicate in the MAP Participation Agreement which records you will review in the managed audit, as well as the test period and method you will use.

Reminder: How tax applies to your purchases

Although your purchases for resale are not taxable, your purchases of items that you *use* rather than sell or hold for sale in your business are generally subject to sales or use tax. Common examples include purchases of business furniture, machinery, and office equipment and supplies (unless you normally sell these products in your business). Tax applies to your purchases at the same rate you would apply to an over-the-counter sale.

You must pay use tax directly to us on certain types of purchases, based on the price you pay for the merchandise. You must generally report use tax on your sales and use tax return if you:

- Purchase an item for resale and then make business or personal use of the item before selling it or instead of holding it for sale, or
- Purchase an item from a vendor outside of California and use it in your business or for personal use. However, you are not liable for direct payment of the use tax if the vendor holds a California seller’s permit or *Certificate of Registration—Use Tax*, collects California use tax on the transaction, *and* provides you with a receipt showing the amount of tax collected. Out-of-state vendors who collect use tax must indicate their *Certificate of Registration—Use Tax* number on their receipts.

California retailers will generally add an amount for sales tax to your purchase unless you issue them a valid resale certificate. However, if your business is operating in a special tax district and the vendor is not engaged in business there, the vendor may compute tax at the statewide rate rather than the higher rate in effect in the district. If a vendor not engaged in business in your district uses a tax rate lower than the district rate, you owe the balance of the use tax (difference between the tax amount charged to you and the correct tax amount).

Example: Your business—a pet store—is located in a special tax district, where the total sales and use tax rate is 8.75 percent (statewide rate of 7.25% + three 0.50% special district taxes). You buy a \$200 display case from a vendor in Nevada County, who ships it directly to you and computes tax at the statewide rate of 7.25 percent. You are liable for paying the remaining 1.50 percent of district tax due (8.75% total district tax rate – 7.25% statewide rate = 1.50% unpaid district tax. \$200 purchase X 1.50% = \$3.00 tax due).

Reviewing your purchase invoices

The CDTFA auditor will specify in the MAP Participation Agreement which invoices you must review as part of your managed audit, and provide printed or electronic transaction worksheets for your use. You must review each invoice and make sure that you paid tax when it was due and that you paid the correct amount (see previous section). Be sure to check the amount of tax by using a [tax rate table](#) for the rate in effect at your location. You should also check to see whether you paid another state's tax on the transaction, or whether you paid use tax on the purchase on your sales and use tax return.

You must list information for a purchase on your purchase transaction worksheet if you find that you did any of the following:

- Overpaid or underpaid sales or use tax.
- Did not pay tax to your vendor but did pay use tax on the purchase on your sales and use tax return.
- Paid California sales or use tax to an out-of-state seller.
- Paid another state's tax on the purchase.
- Did not pay tax but believe that your vendor paid use tax on your purchase (see next paragraph).

If you believe that your vendor may have paid use tax on your purchase, thereby relieving you of responsibility for all or part of the tax, you may send the vendor a CDTFA form letter to verify their tax payment. Your auditor can provide you a packet (forms CDTFA-503 A, B, and C) that includes instructions, a sample letter (called an "ABC" letter), and a form for your vendor to complete.

Completing your purchase worksheet

The next two pages show sample invoices and a sample purchase worksheet completed with information from the invoices. As you complete your worksheet with information from your own purchase invoices, you may find that you have questions that are not addressed in this guide or that you're not sure exactly what information to include. Contact the CDTFA auditor if you need more help.

Be sure to keep all listed invoices and related records available for the CDTFA auditor's review.

PURCHASE REVIEW EXAMPLES - SALES AND USE TAX

The following narrative pertains to a sales and use tax managed audit. The types of purchase information your auditor may request you provide in a special taxes and fees managed audit will vary by program.

Purchase on which you did not pay tax

On reviewing this purchase invoice, you find that you did not pay California use tax on the purchase of computer supplies you used in your office operations. You must enter information from this invoice on your purchase worksheet (see line 2 on sample worksheet, [next page](#)).

Nevada Supply, Inc.		70422
3047 Sierra Way		
Reno, NV		
Date: September 15, 2016	P.O. # 1001	
Sold to: Coast Widgets 245 Valley Way San Diego, CA 92123	Ship to: same XYZ Parcel Service	
Item	Cost	Extension
computer supplies		75.00
subtotal		75.00
sales tax		.00
shipping		9.00
total		\$ 84.00

Purchase on which you paid part of the tax due

On reviewing this purchase invoice for a display case, you find that the vendor calculated the tax amount at the statewide rate, 7.25 percent, rather than the rate in effect in your special tax district, 7.75 percent. You must enter information from this invoice on your purchase worksheet (see line 3 on sample worksheet, [next page](#)).

CalCase		3270
4205 5th Street		
Riverside, CA		
Date: September 19, 2016	P.O. # 1005	
Sold to: Coast Widgets 245 Valley Way Any City, CA	Ship to: same ABC Trucking Service	
Item	Cost	Extension
lge display case	1200.00	1200.00
subtotal		1200.00
sales tax @ 7.25%		87.00
shipping		55.00
total		\$ 1342.00

TIPS FOR COMPLETING YOUR SALES WORKSHEET - SALES AND USE TAX

The following narrative pertains to a sales and use tax managed audit. The types of sales information your auditor may request you provide in a special taxes and fees managed audit will vary by program.

Note: Lines 2 and 3 below are completed with information from the sample invoices on the [previous page](#).

	A	B	C	D	E	F	G	H	I	J
REF	DATE	INVOICE NUMBER	VENDOR	STREET	CITY, STATE, ZIP	SHIP FROM	SHIP TO	PO NUMBER	PO STATUS	RC ISSUED
1		①	②			③	④	⑤	⑥	⑦
2	9/15/15	70422	Nevada Supply, Inc.	3047 Sierra Way	Reno, NV 89503	NV		1001	T	no
3	9/19/15	3270	CalCase	4205 5th St.	Riverside, CA 92501	CA		1005	T	no

K	L	M	N	O	P	Q	R	S
ITEM	AMOUNT QUESTIONED	AMOUNT TAXABLE	DISTRICT MEASURE	DISTRICT CODE	COMMENT	ABC SENT	1032 SENT	1164 SENT
	⑧				⑨	⑩		
computer supplies	75.00				use tax not paid			
display case	1200.00				district tax not paid			

Please note: Your auditor will complete columns K, L, M, and P, shown above in gray. Please leave these columns blank on your worksheet.

- ① Vendor's invoice number.
- ② Name of vendor from whom you purchased item.
- ③ State from which item was shipped (2-letter abbreviation).
- ④ California city to which vendor shipped the item, if different from your city.
- ⑤ Your purchase order number, if any.
- ⑥ Your purchase order status. Enter "R" for resale; "T" for taxable. If partially taxable, note in col. P, "Comment."
- ⑦ Enter "yes" if you issued a resale certificate to the vendor; "no" if you did not.
- ⑧ Total amount of purchase, not including tax amount and nontaxable shipping charges (see [publication 100, Shipping and Delivery Charges](#)). If you're not sure what amount to enter, ask the CDTFB auditor.
- ⑨ For each entry, if you:
 - Underpaid or overpaid the tax amount, enter comment explaining reason (see above).
 - Paid another state's tax on the purchase, enter "paid (state abbreviation) tax."
 - Paid use tax on your sales and use tax return, enter: "paid use tax on return" and reporting period.
 - Did not pay an amount for tax but believe that your vendor paid the tax, enter "vendor paid tax."
 - Paid California tax to an out-of-state seller, enter "paid tax to seller outside CA."
- ⑩ Place an X in this column if you sent an "ABC" letter to your vendor to verify that they paid tax (see [Reviewing your purchase invoices](#)).

FINISHING UP THE AUDIT - SALES AND USE TAX AND SPECIAL TAXES AND FEES MANAGED AUDITS

When you've completed your portion of the work, the CDTFA auditor will review and verify your worksheets, support documents, and invoices. When the review is complete, the auditor will arrange to hold an exit conference with you. If you prefer, you may be represented by another person or bring a representative with you. The CDTFA auditor's supervisor may also attend the conference. At the conference, the auditor will explain any proposed credits, refunds, or additional tax resulting from the audit, or let you know that your returns have been accepted as filed.

Notice of final audit results

The CDTFA auditor will prepare a *Report of Field Audit* that summarizes the audit findings and submit it to the Audit Reviewer. (You will receive a copy of the *Report*, which is *not* a billing or refund). If you agree with the audit results after the *Report* has been reviewed for accuracy, we will issue a billing (*Notice of Determination*), a refund (*Notice of Refund*), or a letter indicating that you do not owe additional tax.

If you disagree with the audit results, there are further review and discussion steps involved before a notice is issued. See [publication 76, Audits](#), for more information (see "Notice of Audit Results" section).

Notice of Determination

If you receive a *Notice of Determination* indicating that you owe additional tax, please take care to note its issue date. Within 30 days of that date, you must either pay the billed amount, or if you disagree with the report and notice, file an appeal ("petition for redetermination"). If you do not take either action within that time period, you will be assessed a penalty equal to *ten percent of the unpaid tax due*. If you continue not to pay the billed amount, we may take collection actions, including filing liens or levies. In addition, if you do not pay on time, we may void your Managed Audit Program Agreement.

Important: Interest continues to accrue until you pay all tax due. If you disagree with the results of your audit, you may want to pay the amount shown on the *Notice of Determination* to stop the accrual of interest, then file a claim for refund of the disputed amount (see [publication 76, Audits](#), [publication 17, Appeals Procedures Sales and Use Taxes and Special Taxes](#), and [publication 117, Filing a Claim for Refund](#)). For payment options please see [Make a Payment](#) or contact the [CDTFA office](#) that handles your account. The CDTFA auditor cannot accept tax payments.

Notice of Refund

Before a refund can be issued, CDTFA staff must first determine whether you have an outstanding tax liability with the CDTFA or various other state agencies. If you do have such a liability, we may be required to transfer enough of the refund amount to satisfy that liability. In addition, refunds over \$50,000 are subject to CDTFA executive review and approval, as well as a mandatory ten (10) day public record disclosure pursuant to Revenue and Taxation Code Section 6901. When an approved refund is \$50,000 or less, the State Controller's Office normally mails the *Notice of Refund* and a check for the refund amount about four to eight weeks after the approval of the *Report of Field Audit*.

APPEALING THE RESULTS OF YOUR AUDIT

Participation in a managed audit does not change your right to appeal the audit results. For more information regarding your appeal rights and the appeals process, please consult with the CDTFA auditor. Detailed information is also found in [publication 17, Appeals Procedures Sales and Use Taxes and Special Taxes](#). If the auditor did not give you a copy early in the audit process, you can ask for one or call the [CDTFA Customer Service Center](#) for a copy at 1-800-400-7115 (TTY:711).

FOR MORE INFORMATION

For additional information or assistance, 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.

OFFICES

City	Telephone Number
Bakersfield	1-661-395-2880
Cerritos	1-562-356-1102
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
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 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

Motor Carrier Office

W. Sacramento, CA	1-800-400-7115
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INTERNET

www.cdtfa.ca.gov

You can log onto our website for additional information—such as laws, regulations, forms, publications, industry guides, 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 CDTFA website (look for "[Verify a Permit, License, or Account](#)") or call the CDTFA's toll-free automated verification service at 1-888-225-5263.

Multilingual versions of publications are available on the CDTFA website at www.cdtfa.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 TIBs on our website at www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm. Sign up for CDTFA 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 the CDTFA statewide 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.cdtfa.ca.gov for a listing of classes and locations. You can also call your local 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.

For written advice on general tax and fee information, please visit our website at www.cdtfa.ca.gov/email to email your request.

You may also send your request in a letter. For general sales and use tax information, including the California Lumber Products Assessment, or Prepaid Mobile Telephony Services (MTS) Surcharge, send your request to:

Audit and Information Section, MIC:44
California Department of Tax and Fee Administration
PO Box 942879
Sacramento, CA 94279-0044

For written advice on all other special tax and fee programs, send your request to:

Program Administration Branch, MIC:31
California Department of Tax and Fee Administration
PO Box 942879
Sacramento, CA 94279-0031

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 [publication 70, Understanding Your Rights as a California Taxpayer](#), 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; California Department of Tax and Fee Administration; P.O. Box 942879; Sacramento, CA 94279-0070.

Regulations, forms, and publications

Lists vary by publication - Sales and Use Tax

Selected [regulations](#), [forms](#), and [publications](#) that may interest you are listed below. Spanish versions of our publications are also available online.

Regulations

- 1614 *Sales to the United States and Its Instrumentalities*
- 1620 *Interstate and Foreign Commerce*
- 1628 *Transportation Charges*
- 1668 *Sales for Resale*
- 1685 *Payment of Tax by Purchasers*
- 1698 *Records*

Publications

- 17 *Appeals Procedures Sales and Use Taxes and Special Taxes*
- 58A *How to Inspect and Correct Your Records*
- 70 *Understanding Your Rights as a California Taxpayer*
- 76 *Audits*
- 100 *Shipping and Delivery Charges*
- 101 *Sales Delivered Outside California*
- 102 *Sales to the United States Government*
- 103 *Sales for Resale*
- 104 *Sales to Residents of Other Countries*
- 117 *Filing a Claim for Refund*

Special Taxes and Fees

Additionally, there are numerous regulations, forms, and publications relating to special taxes and fees programs. Below is a selected list of publications that may interest you. A complete listing of special taxes and fees [forms](#), [publications](#), and [regulations](#) is available on the CDTFA website.

- 12 *California Use Fuel Tax: A Guide for Vendors and Users*
- 39A *Emergency Telephone Users (911) Surcharge and Prepaid 911 Surcharge*
- 88 *Underground Storage Tank Fee*
- 90 *Environmental Fee*
- 91 *California Tire Fee*
- 92 *Alcoholic Beverage Tax*
- 93 *Cigarette and Tobacco Products Taxes*
- 94 *Occupational Lead Poisoning Prevention Fee*
- 95 *Electronic Waste Recycling Fee*
- 96 *Biodiesel and California Tax*

MANAGED AUDIT PROGRAM PARTICIPATION AGREEMENT

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

NAME	ACCOUNT
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This is a Managed Audit Program (MAP) Participation Agreement between the California Department of Tax and Fee Administration (CDTFA) and _____ (taxpayer)
TAXPAYER'S NAME

in accordance with the appropriate sections in the Sales and Use Tax Law and/or Special Tax and Fee Laws. For purposes of this agreement, any entity registered under any tax or fee program administered by the CDTFA that is eligible to participate in a MAP is defined as a "taxpayer."

1. For the managed audit to be conducted under the MAP for the period beginning on _____ and ending on _____, the taxpayer represents that
DATE
 - The taxpayer's business involves few or no statutory exemptions and a single or a small number of clearly-defined taxability issues, and
 - The taxpayer agrees to participate in the MAP and has the resources to comply with the managed audit instructions provided by the CDTFA.

2. The taxpayer shall complete the managed audit on or before _____ in accordance with the instructions in this agreement. The taxpayer shall make available to the CDTFA by this date all computations, all transaction worksheets (as described in paragraph 3 below), and all books, records, and equipment relating to the managed audit for verification by the CDTFA.
DATE

3. The types of transactions covered by this managed audit are listed in Section 1 of the Appendix of this agreement. In performing the managed audit, the taxpayer shall
 - Review and separately maintain for verification by the CDTFA the books, records, and equipment specifically identified by the CDTFA in Section 2 of the Appendix,
 - Follow the specific procedures listed in Section 2 of the Appendix to determine the amount of the unreported tax and/or fee liability, if any,
 - Schedule the transactions relating to each of the books, records, and equipment identified in Section 2 of the Appendix by completing transaction worksheets provided by the CDTFA, in accordance with the instructions in CDTFA publication 53, *Managed Audit Program*, a copy of which has been given to the taxpayer, and
 - Follow the special instructions (criteria), if any, described in Section 3 of the Appendix.

4. When the taxpayer has completed the managed audit, the CDTFA may verify the results of the managed audit by reviewing the documents prepared by the taxpayer, by examining the books, records, and equipment of the taxpayer, and by taking any other necessary actions to verify the results of the managed audit, including requesting further information and documentation from the taxpayer.

5. If the CDTFA determines that certain types of transactions should be audited by the CDTFA and not by the taxpayer under the MAP, the CDTFA shall notify the taxpayer either during or after the managed audit which types of transactions will be reviewed by the CDTFA and what books, records, and equipment the CDTFA must examine. If the CDTFA determines that an unreported tax liability exists for those types of transactions which the CDTFA audits pursuant to this paragraph, the interest rate set forth in paragraph 7 shall apply with respect to that liability unless the CDTFA voids this agreement pursuant to paragraph 10.

6. Upon completion of the managed audit by the taxpayer, the verification of the managed audit by the CDTFA, and the audit by the CDTFA of transactions not audited under the MAP, the liability, if any, may be determined and collected by the CDTFA and petitioned by the taxpayer in the manner provided in the appropriate sections in the Sales and Use Tax Law and/or Special Tax and Fee Laws. As provided by the appropriate sections in the Sales and Use Tax Law and/or Special Tax and Fee Laws, all determinations

Current as of September 2017

made by the CDTFA under these provisions of the Revenue and Taxation Code are due and payable at the time they become final. If they are not paid when due and payable, the CDTFA shall add to them a penalty of 10 percent of the amount of the determination, not including interest and penalties.

7. Upon completion of the managed audit and verification by the CDTFA, interest shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period, in accordance with the appropriate sections in the Sales and Use Tax Law and/or Special Tax and Fee Laws. This reduced interest rate shall remain in effect until the tax and/or fee liability is paid in full unless the CDTFA voids this agreement as provided in paragraph 10.
8. As provided in the appropriate sections in the Sales and Use Tax Law and/or Special Tax and Fee Laws, the information provided by the taxpayer shall be the same information required for the completion of any other audit that the CDTFA may conduct.
9. Nothing in this agreement shall limit the CDTFA's authority, under the appropriate sections in the Sales and Use Tax Law and/or Special Tax and Fee Laws, to examine the taxpayer's books, records, and equipment. Nothing in this agreement shall limit the authority of the CDTFA to determine an unreported tax and/or fee liability or a refund or credit greater or less than the unreported tax and/or fee liability or refund or credit reported by the taxpayer in the managed audit.
10. The CDTFA may void this agreement if the CDTFA determines that
 - The taxpayer has failed to complete the managed audit by _____ in accordance with the provisions in this agreement, DATE
 - The taxpayer has refused to cooperate with the CDTFA during the verification process described in paragraph 4 above or has refused to cooperate with the CDTFA if the CDTFA audits any transactions as described in paragraph 5 above,
 - Any of the penalties for fraud, negligence, evasion, intent to evade, or intentional disregard under the appropriate sections in the Sales and Use Tax Law and/or Special Tax and Fee Laws should be imposed during the audit period,
 - There is jeopardy of collection under the appropriate sections in the Sales and Use Tax Law and/or Special Tax and Fee Laws, or
 - The taxpayer has not paid the tax and/or fee, interest, and penalties resulting from the managed audit (1) within 30 days of the issuance date of the related *Notice of Determination* or (2) as agreed upon in a formal installment payment agreement.

If the CDTFA determines that this agreement should be voided, the CDTFA shall notify the taxpayer in writing. If the CDTFA voids this agreement, interest shall be computed at the full rate as provided in section 6591.5 of the Revenue and Taxation Code. In addition, the CDTFA may proceed to examine the taxpayer's books, papers, records, and equipment in a manner to be determined by the CDTFA, and any liability may be determined and collected by the CDTFA and petitioned by the taxpayer in the manner provided in the appropriate sections of the Sales and Use Tax Law and/or Special Tax and Fee Laws.

11. The CDTFA has given *Publication 53, Managed Audit Program* to the taxpayer for instructional purposes. If there is a conflict between that publication and the Sales and Use Tax Law and/or the Special Tax and Fee Laws or this agreement, the Sales and Use Tax Law and/or the Special Tax and Fee Laws and this agreement shall control.

SIGNATURE (name of taxpayer)	DATE
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NAME/TITLE (print full name and title)

SIGNATURE (CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION Principal Auditor)	DATE
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NAME/TITLE (print full name and title)

APPENDIX
Managed Audit Program Participation Agreement

NAME	ACCOUNT NUMBER
AUDIT PERIOD	
From	To

SECTION 1

The types of transactions to be audited by the taxpayer are checked below:

- | | |
|---|---|
| <input type="checkbox"/> Sales for Resale
<input type="checkbox"/> Sales of Property Shipped Outside California
<input type="checkbox"/> Shipping and Delivery Charges
<input type="checkbox"/> Sales to the United States Government
<input type="checkbox"/> Purchases from Out-of-State Vendors
<input type="checkbox"/> Other: _____ | <input type="checkbox"/> Installation Labor
<input type="checkbox"/> Repair Labor
<input type="checkbox"/> Cash Discounts
<input type="checkbox"/> Property Purchased For Resale |
|---|---|

SECTION 2

The books, records, and equipment that are to be reviewed by the taxpayer are checked below:

- | | |
|--|---|
| <input type="checkbox"/> Sales Invoices
<input type="checkbox"/> Sales Contracts
<input type="checkbox"/> Resale Certificates
<input type="checkbox"/> Bills of Lading
<input type="checkbox"/> Other: _____ | <input type="checkbox"/> Freight Bills
<input type="checkbox"/> Other Shipping or Delivery Documentation
<input type="checkbox"/> Purchase Orders
<input type="checkbox"/> Purchase Invoices |
|--|---|

The procedures to determine the amount of any unreported tax liability are described on pages 4 through 11 of *Publication 53, Managed Audit Program*. The taxpayer will be reviewing the books, records, and equipment checked above for the following periods:

TEST PERIODS

_____	_____	_____
_____	_____	_____

Description of method for review: _____

SECTION 3

Special Instructions (Criteria):

- None
- Other: _____
- _____
- _____

