



Field Audit of Wisconsin Tax Returns

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1. WHAT IS A FIELD AUDIT?

A field audit is a review of your records to determine if you reported the correct amounts on your tax return. The goals of the audit are to ensure you paid the correct amount of tax and help you understand Wisconsin tax laws.

If your return is selected for audit, it does not mean we suspect you intentionally completed your returns incorrectly. The audit may result in an additional amount due, a refund, or determination that no changes are needed.

2. START OF THE AUDIT

We will send you a letter indicating that your tax returns have been selected for review and requesting you to call the auditor to set the date and time for the initial meeting. Our first contact with you will never be by email or phone.

The letter informs you:

- Which tax type(s) and the periods the audit includes
- How to contact the auditor
- How to contact the auditor's supervisor
- How to follow the progress and timeline of your audit in a secure portal called My Case Manager. For more information, see [Publication 701](#), *My Case Manager User Guide*.

The auditor may call you to follow up on the letter. The auditor may also ask you to complete a pre-audit questionnaire before the initial meeting to learn more about the business and recordkeeping systems you used.

3. REPRESENTATION

If you want to allow another person to discuss and receive your confidential tax information to assist you through the audit, complete [Form A-222](#), *Power of Attorney* and provide it to the auditor.

You may also use an alternate Power of Attorney form. The alternate form must be notarized and clearly indicate that your representative is authorized to receive tax information on your behalf.

4. INITIAL MEETING

The initial meeting and audit will take place at your business location, accountant's or representative's office, or by phone. The auditor will work with you to arrange what works best for you.

At the initial meeting the auditor will:

- Determine how you prefer to communicate during the audit
- Ask questions to learn about your business and the accounting and recordkeeping system used
- Discuss the records available to plan the steps to complete the audit as efficiently as possible
- Ask if you are aware of transactions where you may have paid tax in error
- Request a tour of the business facility, if necessary

5. WHAT RECORDS WILL I NEED TO PROVIDE?

It depends on the type of audit and type of business. If your recordkeeping system is electronic (e.g., QuickBooks) and the auditor requests records in electronic format, you must provide them in electronic format. The auditor will work with you to securely transfer electronic files. See [Fact Sheet 5100](#), *Electronically Transmitting Confidential Taxpayer Information*.

During the auditor's review, the auditor may request additional records or information for specific items. The auditor will provide or confirm the request in writing and work with you to set a due date.

To complete the audit as efficiently as possible, some audits can be done by using sampling rather than reviewing all records. For more information on sampling, see [Publication 515](#), *Sampling in Sales and Use Tax Audits*.

6. HOW FAR BACK WILL MY RETURNS BE AUDITED?

Generally, returns will be audited for the past four years, but it depends on the statute of limitations that applies to your situation.

The department must send a notice of field audit determination within four years of the due date of your income or franchise tax return or the date the return was filed, whichever is later. For audits of sales and use taxes that are filed on a monthly or quarterly basis, the statute of limitations is based on the annual filing period for income or franchise tax purposes.

Two exceptions to the four-year statute of limitations are:

(1) For income or franchise taxes, the statute of limitations is six years if:

- You reported less than 75% of the correct taxable income, and
- The additional tax is over \$100 for that return.

(2) If no return was filed, or if an incorrect return was filed with intent to evade taxes, there is no statute of limitations.

If the audit is an income or franchise tax audit and you had carryforwards of net operating losses, net business losses, or credits carried into the audit period, the auditor may review returns for the periods in which those carryforwards were generated as well as any succeeding years in which they were used.

7. COMMUNICATION DURING THE AUDIT

The auditor's goal is to ensure you understand the audit process, timeline, and preliminary findings as the audit progresses.

While written communication is essential to document the audit, verbal conversations can increase your understanding of the process and potential issues more quickly than written communication alone. The auditor may call you to ask questions or arrange an informal conference, and you are encouraged to call the auditor or their supervisor at any time. Written confirmation of the items discussed in the conversation may follow.

The department strongly encourages a secure method of sending information and messages electronically. See [Fact Sheet 5100](#), *Electronically Transmitting Confidential Taxpayer Information*, for a description of recommended secure methods. If you prefer an electronic method not described in the fact sheet, the auditor will ask you to sign a waiver.

If you want your representative to get copies of notices, letters, and messages relating to the audit, you may authorize them to see those items in My Tax Account, which includes My Case Manager. The auditor can set up this

access on your behalf if you consent and there is a valid Power of Attorney form on file. Also, where practical, the auditor will send correspondence to both you and your representative (e.g., carbon-copy email).

At any point in the audit, you can see progress of the audit through My Case Manager. You and your representative can see the audit timeline, outstanding requests, due dates, and supervisor contact information.

8. HOW LONG WILL THE AUDIT TAKE?

The length of an audit depends on the size and type of business and type of accounting records. The department tries to complete audits in the shortest time possible while still reaching sound conclusions and focusing on taxpayer education.

The department measures how many days an audit takes to complete, including how many days you wait for the auditor and how many days the auditor waits for you to provide records or information.

If an audit is approaching its deadline for the statute of limitations and you need more time to provide records, information, or to review preliminary findings, the auditor may ask you to sign an extension agreement.

For both you and the auditor, it is important to establish and meet due dates. If the auditor does not receive records or information when expected, the auditor may proceed with the best information available and make estimates and assumptions where needed. Throughout the process, communication between you and the auditor is key.

9. WILL THE AUDITOR REVIEW FOR TAXES I OVERPAID?

If the auditor finds information showing you may have overpaid tax, they will explain why it appears tax could have been overpaid and advise you to gather any more facts or documentation needed to determine if a refund claim, deduction, or credit for those items should be part of the audit findings. Otherwise, the auditor does not investigate each transaction for possible overpayment, and you are responsible for reviewing your records for overpayments.

If you think you overpaid tax on any transactions or issues in the period under audit, discuss with the auditor and give details as early in the audit as possible. Once the field audit is complete (including any appeal), you cannot claim a refund for any period that was audited, except for items adjusted in the audit if the audit resulted in an assessment.

If you wish to file a refund claim for an item that is not adjusted in the audit, you must file a claim for refund before completion of the audit or file an appeal of the field audit determination.

For sales and use tax audits, see [Publication 216](#), *Filing Claims for Refund of Sales or Use Tax*, for more information about refund claims.

10. THE PROPOSED AUDIT REPORT

After reviewing all information provided, the auditor prepares a proposed audit report which shows preliminary findings and a preliminary amount due or refund. It may reflect estimates in cases where requested information has not been provided.

The proposed audit report is a basis for discussion between you and the auditor; it is not a final determination. Proposed adjustments in the report may be reduced or removed if you provide more information about the transactions.

The auditor will set up a meeting with you, either by phone or in-person, to present the proposed report and ensure you understand the proposed adjustments, including the Wisconsin law that applies to those issues.

When you receive the proposed report, you will also receive a Notice of Proposed Audit Report requesting you sign (generally within 30 days) to indicate whether you agree or disagree with the proposed findings.

11. IF YOU AGREE WITH THE NOTICE OF PROPOSED AUDIT REPORT

If the proposed audit report results in an amount due and you agree with the amount due, sign the Notice of Proposed Audit Report indicating you agree in full. Notify the auditor if you are interested in reducing your interest due by prepaying the final bill in full. Interest on the amount due accrues at 12% per year starting from when the tax was originally due. This rate is set by state law and cannot be waived. If returns were not filed or a notice is not timely paid, interest accrues at 18%.

- If you don't prepay, you will receive a bill with interest computed through a date 60 days after the date the bill was generated
- If you prepay, the auditor will reduce interest otherwise due through the date you plan to pay

If the proposed report results in a refund and you agree with this determination, sign the Notice of Proposed Audit Report indicating you agree in full. Refund interest accrues at 3% per year.

12. IF YOU DISAGREE WITH THE NOTICE OF PROPOSED AUDIT REPORT

If you disagree with any findings in the proposed audit report, it is important to communicate that to the auditor as soon as possible. The auditor can schedule a conference with you and their supervisor to attempt to reach an agreement. Unagreed issues can often be resolved without time-consuming appeals.

If you and the auditor/supervisor cannot reach an agreement, the department will issue a final notice of field audit determination. It is final unless you appeal it. **Note:** Even if you signed the Notice of Proposed Audit Report indicating you disagree, you still must send a written appeal of the final notice. Follow the instructions on the notice for how to appeal.

For a description of your appeal rights, see [Publication 506, Taxpayers' Appeal Rights](#).

If the final notice includes an amount due and you pay it without filing an appeal, you may later choose to contest the notice by filing a claim for refund of the amount you paid for items adjusted in the audit. For taxes other than sales and use tax, you must file the refund claim within four years of the audit notice date; for sales and use tax, within two years. See [How do I file a claim for refund of a paid assessment?](#) on the department's website for more information.

If the notice includes a refund amount, a refund check will be mailed. Accepting and depositing the check will not prevent you from appealing the notice if you believe you should receive a larger refund.

13. ONE-TIME FIELD AUDIT REDUCTION (SALES TAX AUDITS)

Wisconsin law provides a one-time, 10% reduction of a field audit assessment for additional Wisconsin sales tax imposed in the audit, if annual gross sales of the person under audit are less than \$5 million for each year of the audit period and all required returns have been filed. See [One-Time Field Audit Reduction of Sales Tax](#) on the department's website for more information.

14. PENALTIES

Certain penalties may apply to audits, including:

- A penalty of 25% of the increase in tax liability and/or credit recovery if your incorrect reporting was negligent

- A penalty of 50% or 100% of the increase in tax liability if your tax return was not filed or was filed incorrectly with intent to evade taxes
- A penalty of 25% of the increase in tax liability if you were previously audited and were notified in that audit that your records were insufficient, and the records in the current audit are still not sufficient
- When the auditor requests records (in writing) for purposes of the audit, a penalty may apply if you do not provide the records requested and conditions described in secs. [Tax 2.85](#) and [11.90](#), Wis. Adm. Code, are met. The penalty includes:
 - Disallowance of deductions, credits, or exemptions, or inclusion of income, taxable sales, or purchases related to the requested records, plus
 - 25% of the additional tax resulting from each violation (minimum of \$500)

There are multiple factors to consider when deciding whether to impose a penalty in an audit. One factor by itself may be enough justification in some cases, but in others more are needed. A negligence penalty may apply to the entire tax amount due for the period; or it may apply to specific tax issues.

Factors for determining negligence include:

- Awareness of the tax treatment of the items adjusted
- Nature of items adjusted or errors made
- Consistency and pattern of the items adjusted
- Knowledge, education and expertise of the people responsible for keeping and preparing the taxpayer's records and returns
- Availability of published guidance on the items adjusted
- Adequacy of the taxpayer's records and reporting systems
- Percentage increase in the amount of tax assessed
- Results of prior audits

15. PROJECTING RESULTS FORWARD

When an audit is in its final stages, you may have already filed returns for one or more subsequent filing periods. In some cases, you may choose to resolve outstanding issues for those additional periods by projecting the audit findings forward to those additional periods. You and the department must agree on projecting the audit results forward.

Benefits of projecting audit results forward include:

- Saving time
- Avoiding another audit for the projected years
- No requirement to file amended returns for those years
- Less accrued interest because the additional tax due for those years will be paid sooner

16. POST AUDIT SURVEY

After you receive the final notice, you or your representative will receive a letter or email from the department asking you to complete a short, anonymous survey online to tell us how the auditor did. The survey asks questions including:

- Was the auditor professional?
- Was the auditor knowledgeable?
- Was the timeline and process clearly explained?
- Did you understand the notice(s) you received?

The survey also gives you the opportunity to ask for a supervisor to contact you about how the audit went. The feedback that you provide is valuable to us.

17. AUDIT WORKPAPERS

Correspondence between you and the auditor during a field audit are retained by the department in the form of audit workpapers. You can request audit workpapers for completed audits by completing an online request form. A [fee](#) may apply, see [Requesting Copies of Tax Records](#) on the department's website.

18. REFERENCES

- Department's Authority to Conduct Field Audits: secs. [71.74\(2\)](#), [77.59\(2\)](#), [78.80\(1m\)](#), [139.092](#) and [139.39\(6\)](#), Wis. Stats.
- Statutes of Limitations: secs. [71.77](#), [77.59](#), [78.70\(7\)](#), [139.092](#), [139.39\(6\)](#), and [139.83](#), Wis. Stats.
- One-Time Field Audit Reduction (Sales Tax Audits): sec. [73.03\(74\)](#), Wis. Stats.
- Penalties and Interest: secs. [71.80 \(9m\)](#), [71.82](#), [71.83](#), [73.16\(4\)](#), [77.60](#), [77.61\(19\)](#), [139.25](#), and [139.44](#), Wis. Stats., and secs. [Tax 2.85](#) or [11.90](#), Wis. Adm. Code.

Applicable Laws and Rules

This document provides statements or interpretations of laws and regulations enacted as of May 13, 2022. Laws enacted and in effect after this date, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to this date that is contrary to the information in this document is superseded by this document, according to sec. 73.16(2)(a), [Wis. Stats.](#)