



# Office Audit of Wisconsin Tax Returns

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## 1. WHAT IS AN OFFICE AUDIT?

An office audit is a limited examination of your return. It generally covers specific issues or tax periods and is not a full audit of your records.

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

Our first contact with you is never by email or phone. The audit begins when we send you a letter indicating that your tax returns have been selected for review. Generally, the audit is conducted by correspondence; however, some work can be done by phone or conference.

You can follow along with your audit in My Case Manager. For more information, see [Publication 701](#), *My Case Manager User Guide*.

## 2. REPRESENTATION

To allow another person to discuss and receive your confidential tax information, complete [Form A-222](#), *Power of Attorney* and give it to the auditor.

Instead of Form A-222, you may 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.

## 3. HOW FAR BACK ARE MY RETURNS AUDITED?

An office audit generally includes the tax returns for the last four years. The department must send a notice of assessment or refund resulting from an office audit within four years of the due date of the return or the date the return was filed, whichever is later. For audits of sales and use tax returns that are filed on a monthly or quarterly basis, the department must generally make an office audit determination within four years after the due date of the person's Wisconsin income or franchise tax return or within four years of the date any sales and use tax return required to be filed for any period in that year was filed, whichever is later.

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 (\$200 for a joint 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 carried forward 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 and succeeding years in which they were used.

## 4. WHAT RECORDS MUST I PROVIDE?

It depends on the issue being reviewed. 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 works 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 provides the request in writing. You are encouraged to contact the auditor if you have questions.

## 5. COMMUNICATION DURING THE AUDIT

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

While written communication is essential to document the audit, verbal conversations can increase your understanding of the process and address potential issues more quickly than written communication alone. The auditor may call you or arrange an informal conference to ask questions. You are encouraged to call the auditor or their supervisor at any time. Written confirmation of the items discussed verbally 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 asks you to sign a waiver allowing the department to send tax information using an unsecure method.

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, including My Case Manager. The auditor can set up this access on your behalf if you consent and we have a valid Power of Attorney form on file. Also, where practical, the auditor sends correspondence to both you and your representative (e.g., carbon-copy email).

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

## 6. HOW LONG DOES THE AUDIT TAKE?

The length of an audit depends on the number of issues reviewed 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 statute of limitations deadline 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.

## 7. COMPLETION OF THE AUDIT

After completing the audit, the department provides you with a determination letter or notice. If there is no tax due and no refund, the department sends you a letter stating there is no change in your tax liability. A notice of refund or amount due explains adjustments to your return and shows the change in tax, interest, and penalty amounts.

## 8. INTEREST AND PENALTIES

Refund interest accrues at 3% per year. An amount due accrues interest 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%. 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) during an 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 justify a penalty 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 tax for specific 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 your records and returns
- Availability of published guidance on the items adjusted
- Adequacy of your records and reporting systems
- Percentage increase in the amount of tax assessed
- Results of prior audits

## 9. IF YOU DISAGREE WITH THE AUDIT NOTICE

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 you are due a refund amount, a check is mailed to you. Accepting and depositing the check does not prevent you from appealing the notice if you believe you should receive a larger refund.

## 10. WHAT IF I CAN'T PAY?

Pay as much as of the amount due as you can and request a payment plan. The department charges a fee for payment plans. A payment plan does not prevent 18% interest from accruing after the notice due date or a lien filing if payment is not received. Although the payment plan is not effective until after the due date of the notice, you may request the payment plan as soon as you receive the notice. See [Can't Pay in Full?](#) on the department's website for more information.

## 11. POST AUDIT SURVEY

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

- Was the auditor professional?
- Was the auditor knowledgeable?
- Did the auditor keep you informed throughout the audit?

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.

## 12. AUDIT CORRESPONDENCE

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

## 13. CAN MY RETURNS BE AUDITED AGAIN?

Yes, an office audit is a limited examination of your tax returns and records. Wisconsin law allows for one or more office audit determinations for a tax period. A field audit of your returns and records may happen after an office audit determination.

## 14. REFERENCES

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

## 15. APPLICABLE LAWS AND RULES

This document provides statements or interpretations of following laws and regulations enacted as of December 22, 2022; ch. 71, 77, 78, and 139, [Wis. Stats.](#), and ch. Tax 2 and 11 [Wis. Adm. Code](#). 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.