



**Revenue Information Bulletin No. 12-010**

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**Administrative**

**Act 171 Sampling and Managed Audits**

Act 171 of the 2011 Regular Session of the Louisiana Legislature amended RS 47:1541(B) which authorizes the Secretary of Revenue (or his designee) to enter into binding agreements to use sampling procedures as a basis for projecting audit findings. The Act sets forth the criteria to be considered when determining whether sampling audit methods are appropriate. These criteria are:

1. The taxpayer's records are so detailed, complex, or voluminous that an audit of all detailed records would be unreasonable or impractical.
2. The taxpayer's records are inadequate or insufficient to the extent that a competent audit of the period in question is not otherwise possible.
3. The cost to the taxpayer or the state for an audit of all detailed records will be unreasonable in relation to the benefits derived, and sampling procedures are expected to produce a reasonable result.

Act 171 also enacts RS 47:1541(D) which defines and sets forth the criteria for managed audit agreements. A managed audit allows certain businesses to conduct a type of self-audit where most of the audit functions are performed primarily by the taxpayer with guidance and verification provided by LDR employees. As set forth in RS 47:1541(D), the Secretary of Revenue may enter into such an agreement with the taxpayer that specifies the period to be audited and the procedures to be followed. The decision to authorize a managed audit rests solely with the Secretary of Revenue. The secretary may consider, in addition to other relevant facts, any of the following criteria before entering into an agreement:

1. Taxpayer's history of compliance,
2. Taxpayer's ability to pay any expected liability,
3. Time and resources taxpayer has to dedicate to the audit and,
4. The availability of the taxpayer's records.

The statute defines a managed audit as a review and analysis of invoices, checks, accounting records or other documents or information to determine the correct amount of sales tax. The managed audit may be limited to certain categories of liability such as sales of one or more types of taxable items, purchases of assets, purchases of expense items, purchases under a direct payment permit or any other category specified in the managed audit agreement.

The Secretary may not assess a penalty and may abate all or a part of the interest that would have accrued on any amount due identified during the managed audit, unless fraud or the willful evasion of tax is discovered. The taxpayer is also entitled to a refund of any overpayment disclosed by the managed audit.

If you need additional information, please contact Field Audit Services Division, 225-219-2720.

Cynthia Bridges

Secretary

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