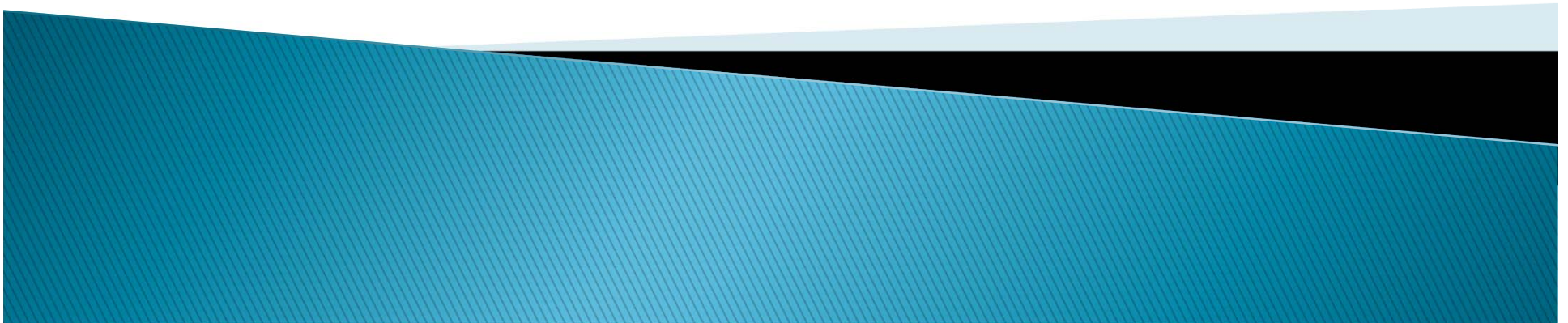


Tax Group III

Audit and Compliance

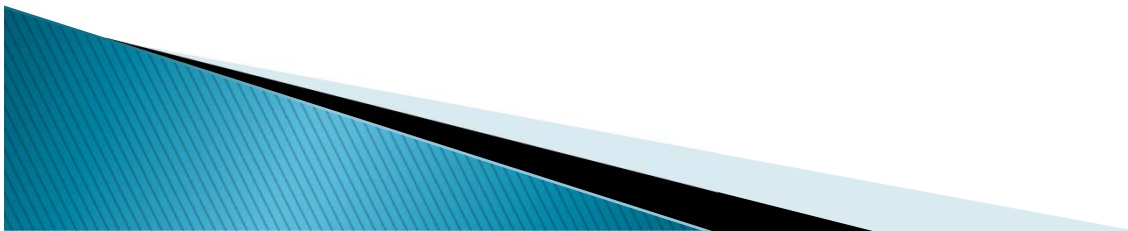
R. Jay Frost
Assistant Secretary
LDR

jay.frost@la.gov



Group 3 Divisions

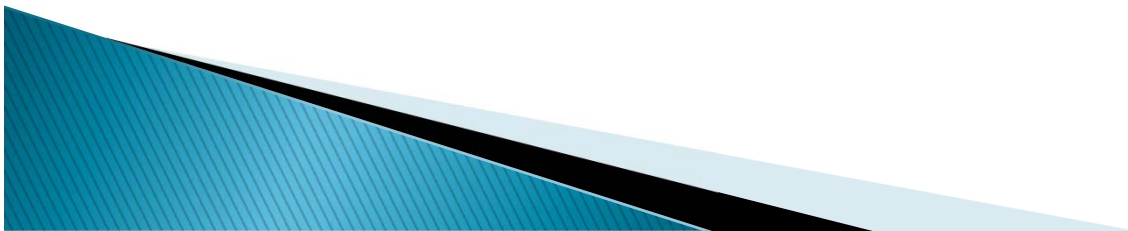
- ▶ Field Audit–Sales Tax--Darlene Allen
- ▶ Field Audit–Income Taxes--Billy Pittman
- ▶ Field Audit–Excise Taxes--Sandra Malveaux
- ▶ Audit Review and Appeals--Susan Oliver
- ▶ Audit Intelligence Division—Cynthia Pugh



Field Audit Divisions

Mission:

To strategically select and audit taxpayers for the purpose of disclosing unpaid tax liabilities and enhancing voluntary compliance. Also, to professionally administer taxes fairly equitably and efficiently.



Field Audit Divisions

Goals:

- ▶ Establish audit completion goals to ensure adequate coverage
- ▶ Increase audit coverage, reduce audit time per case and utilize efficient auditing procedures and technology
- ▶ Educate taxpayers about audit findings to improve future compliance
- ▶ Focus on producing accurate and efficient audits
- ▶ Develop knowledgeable and engaged employees through team work and professional development

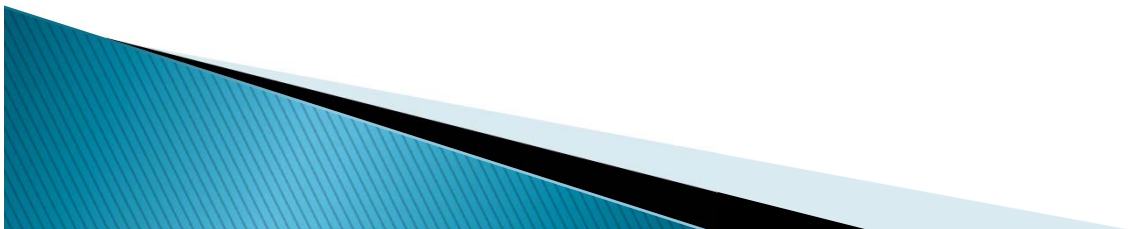


Field Audit–Sales Tax Staffing

- ▶ 78 Total employees
 - 50 LA domiciled employees
 - 28 Out of state domiciled employees

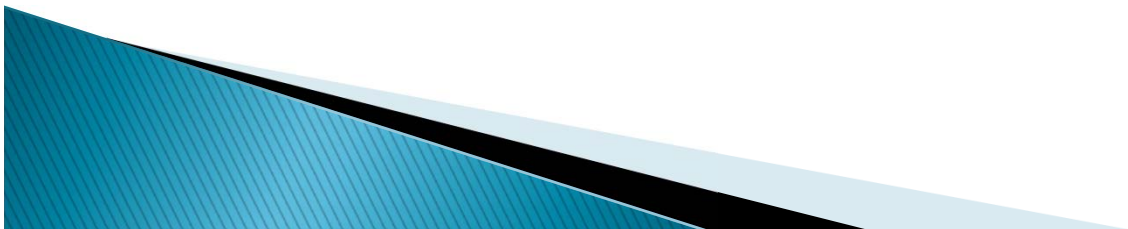
Auditor Levels

- | | |
|-------------------------|----|
| ◦ Revenue Tax Auditor 1 | 20 |
| ◦ Revenue Tax Auditor 2 | 14 |
| ◦ Revenue Tax Auditor 3 | 23 |



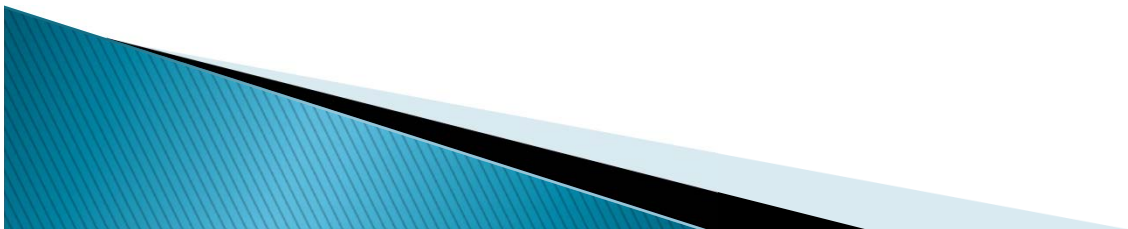
Field Audit–Sales Tax Audits Performed

Tax Type	FYE 6/30/16	FYE 6/30/17	09/30/17
Sales	965	758	229
Withholding Tax	20	24	3
Totals	985	782	232



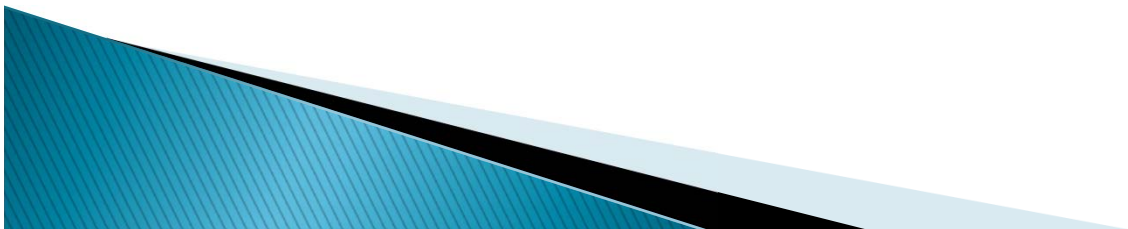
Field Audit–Sales Tax Audit Determinations

Tax Type	FYE 6/30/16	FYE 6/30/17	09/30/17
Sales	\$ 81,363,648	\$ 42,821,755	\$ 17,712,315
Withholding Tax	\$ 1,111,617	\$ 1,800,180	\$ 86,223
Totals	\$ 82,475,265	\$ 44,621,935	\$ 17,798,538



Field Audit–Sales Tax Audit Collections

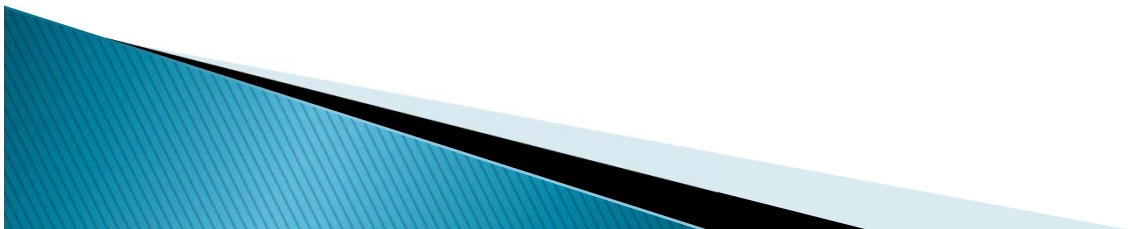
Tax Type	FYE 6/30/16	FYE 6/30/17	09/30/17
Sales	\$31,157,723	\$ 24,469,317	\$ 4,568,060
Withholding Tax	\$ 168,863	\$ 147,409	\$ 4,746
Totals	\$31,326,586	\$ 24,616,726	\$ 4,572,806



Field Audit–Sales Tax

Audit Issues:

- ▶ Expanded Sales Tax Rates (Act 25 & Act 26)
- ▶ MM&E
- ▶ Out of state contractors
- ▶ Lack of exemption certificates / validity
- ▶ Repairs to movable / immovable property
- ▶ Insufficient record keeping

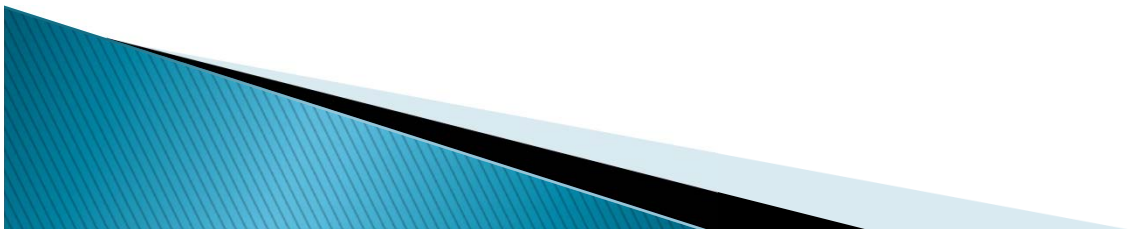


Field Audit–Income Staffing

- ▶ 53 Total employees
 - 21 LA domiciled employees
 - 32 Out of state domiciled employees

Auditor Levels

- Revenue Tax Auditor 1 5
- Revenue Tax Auditor 2 15
- Revenue Tax Auditor 3 19



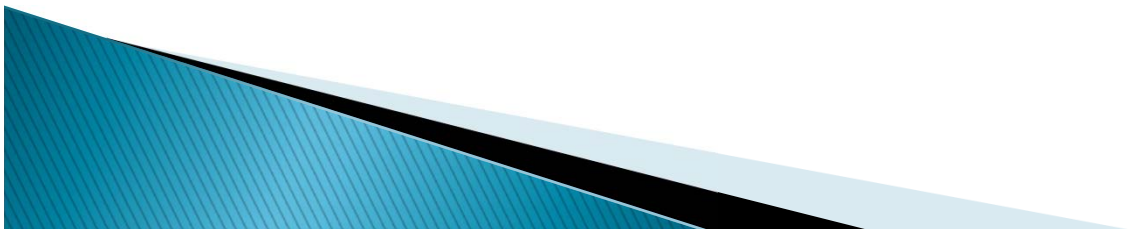
Field Audit–Income Audits Performed

Tax Type	FYE 6/30/16	FYE 6/30/17	09/30/17
CIT	253	216	41
CFT	260	224	39
Individual	56	160	71
Total	569	601	151



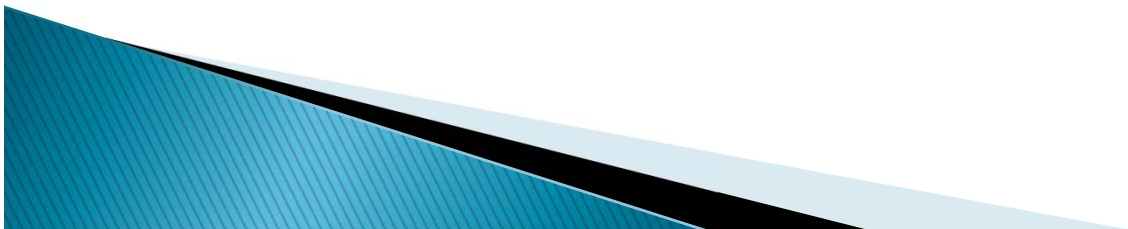
Field Audit–Income Audit Determinations

Tax Type	FYE 6/30/16	FYE 6/30/17	09/30/17
CIT	\$ 268,237,838	\$ 77,992,834	\$ 30,028,535
CFT	\$ 177,456,464	\$ 66,008,400	\$ 12,694,821
Individual	\$3,344,986	\$ 7,619,360	\$ 2,104,107
Total	\$ 449,039,288	\$ 151,620,594	\$ 44,827,463



Field Audit–Income Audit Collections

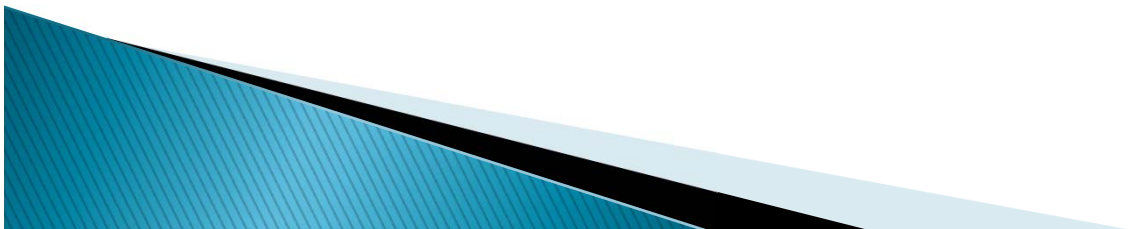
Tax Type	FYE 6/30/16	FYE 6/30/17	09/30/17
CIT	\$ 35,320,964	\$ 13,390,633	\$ 3,089,568
CFT	\$ 34,425,684	\$ 9,888,908	\$ 8,491,813
Individual	\$ 1,203,560	\$ 1,673,201	\$ 1,154,245
Total	\$ 70,950,208	\$ 24,952,742	\$ 12,735,626



Field Audit–Income

Audit Issues:

- ▶ Transfer Pricing arrangements / agreements
- ▶ Royalties
- ▶ Nexus / Non–Filers
- ▶ Interest Expense
- ▶ Individual Income Tax
- ▶ Withholding

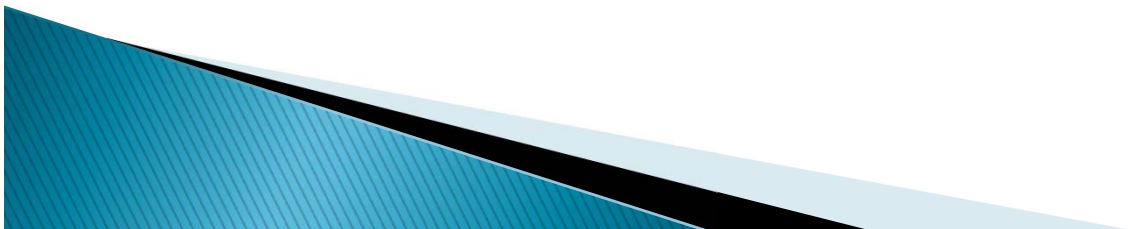


Field Audit-Excise Staffing

- ▶ 26 Total employees
 - 17 LA domiciled employees
 - 9 Out of state domiciled employees

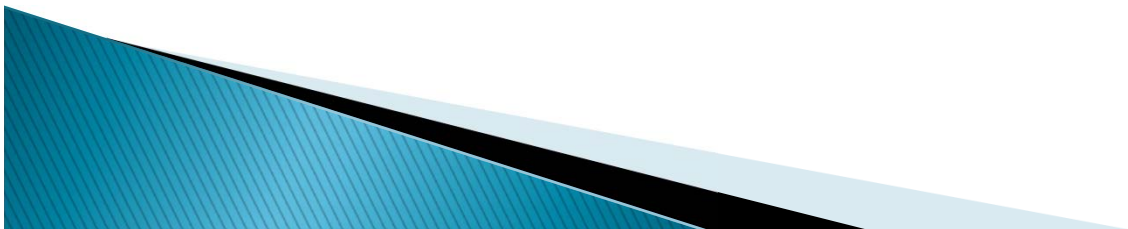
Auditor Levels

- Revenue Tax Auditor 1 4
- Revenue Tax Auditor 2 5
- Revenue Tax Auditor 3 9



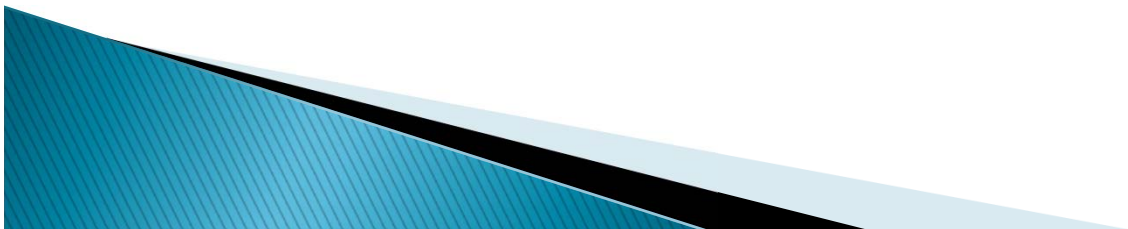
Field Audit–Excise Audits Performed

Tax Type	FYE 6/30/16	FYE 6/30/17	09/30/17
Severance–Oil	64	72	13
Severance–Gas	37	59	5
IFTA	95	96	25
All Other Excise Taxes	41	20	
Totals	237	247	12



Field Audit-Excise Audit Determinations

Tax Type	FYE 6/30/16	FYE 6/30/17	09/30/17
Severance-Oil	\$ 25,401,800	\$ 45,432,527	\$ 4,174,837
Severance-Gas	\$ 8,124,291	\$ 18,599,959	\$ 381,322
IFTA	\$ 32,770	\$ 130,513	\$ 6,344
All Other Excise Taxes	\$ 1,039,185	\$ 594,696	\$40,573
Totals	\$ 34,598,046	\$ 64,757,695	\$ 4,603,076



Field Audit–Excise Audit Collections

Tax Type	FYE 6/30/16	FYE 6/30/17	09/30/17
Severance–Oil	\$ 3,083,255	\$ 2,479,501	\$ 499,673
Severance–Gas	\$ 229,700	\$ 2,983,536	\$ 947,980
IFTA	\$ 38,175	\$ 71,170	\$ 7,180
All Other Excise Taxes	\$ 6,312,819	\$ 212,293	\$ 89,215
Totals	\$ 9,663,949	\$ 5,746,500	\$ 1,544,048

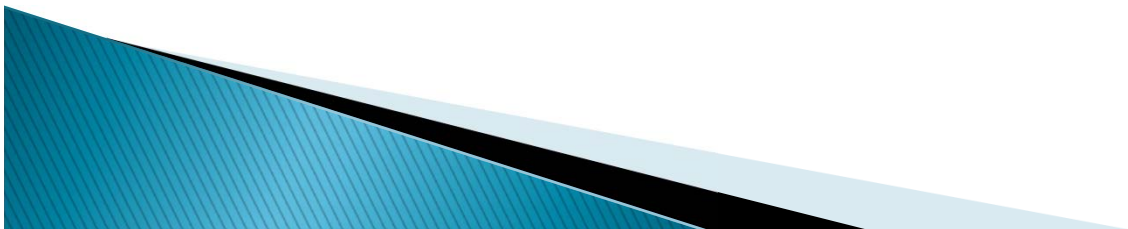


Field Audit–Excise

Audit Issues:

Oil & Gas Severance Tax

- ▶ Valuation/Gross Value
- ▶ Production Errors
- ▶ Incorrect Rates
- ▶ Updating statutes

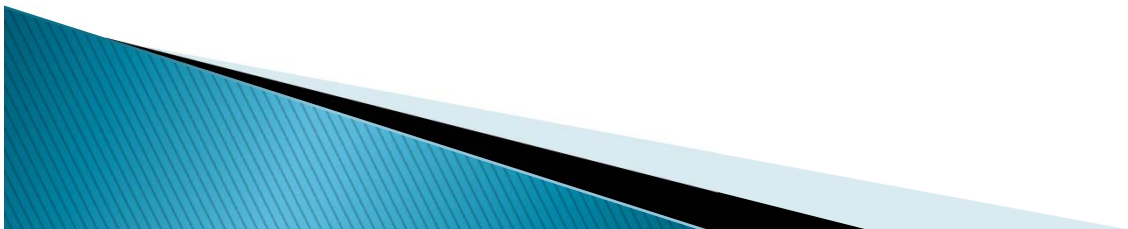


Field Audit–Excise

Audit Issues:

IFTA

- Using Electronic Logging Devices in Audits
- Insufficient records
- Retention of records



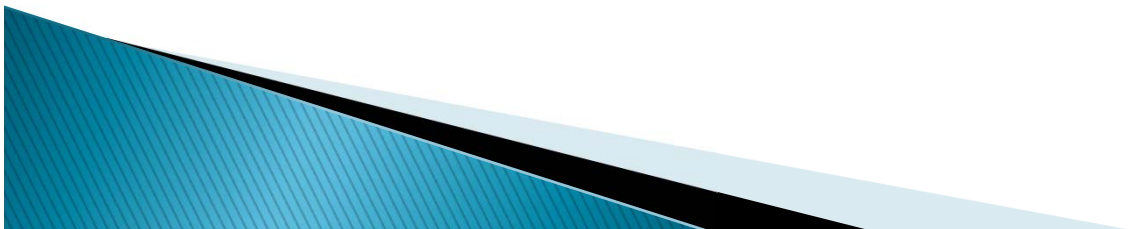
Field Audit-Excise

Timber and Minerals Severance Tax

Identifying non-filers and the quantities severed by non-filers.

Tobacco

Lack of uniformity by tobacco manufacturers in invoicing for tobacco products in regards to trade discounts, cash discounts, promotional items, federal excise tax and shipping and handling.



Cooperative Agreements with Parishes

The purpose of these agreements between the Parish Tax Administrators and the Louisiana Department of Revenue is to increase audit coverage and free up state audit resources to conduct regional and multi-state audits.

Currently these agreements cover only sales/use tax audits.



Cooperative Agreements with Parishes

Executed Agreements:

East Baton Rouge Parish

Evangeline Parish

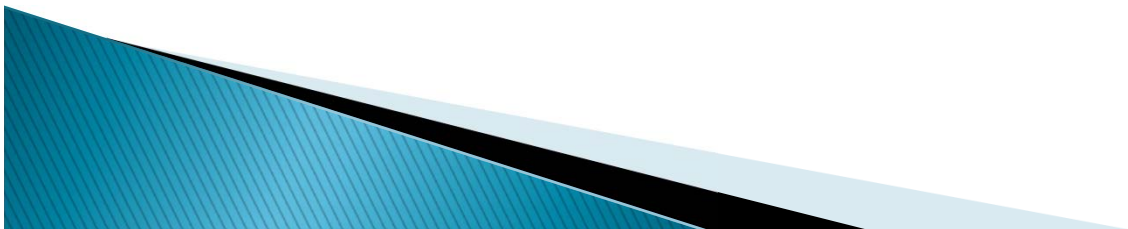
Jefferson Davis Parish

Rapides Parish

St. Mary Parish

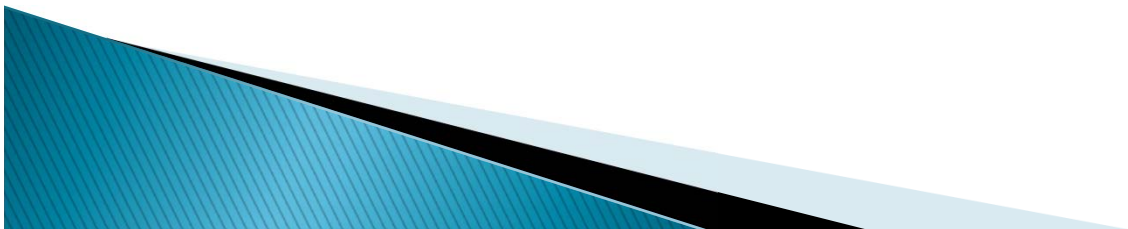
St. Charles Parish

We are currently negotiating with several other parishes to execute agreements.



Multistate Tax Commission

- ▶ Sales Tax Audit Program–The Department continues its participation in this program.
- ▶ Corporate Income/Franchise Tax Audit Program–The Department has recently begun participation in this program.



Audit Review and Appeals

Mission: To fairly and impartially resolve audit issues and controversies in the best interest of the State of Louisiana and taxpayers while enhancing voluntary compliance and maintaining public confidence in the integrity and efficiency of the Department.



Audit Review and Appeals

Goals:

- ▶ Address and resolve audit issues and disputes
- ▶ Educate taxpayers about audit issues
- ▶ Identify and deliver additional training/information to LDR staff related to evolving tax issues
- ▶ Provide litigation support
- ▶ Provide assistance to other divisions

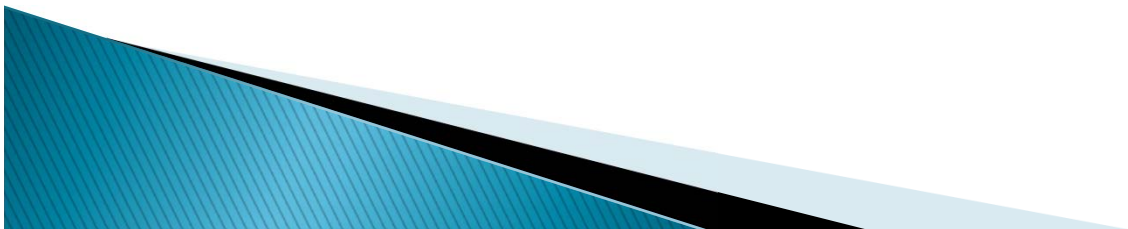


Audit Review and Appeals Staff

- ▶ 18 Total Full Time Employees

All Domiciled at Headquarters / Baton Rouge

- Sales Tax Reviewers 6
- Corporate/Individual Reviewers 6
- Revenue Tax Auditor Specialist (VDA) 1



Audit Review and Appeals

Inventory

Income Unit:

At FYE 06/30/17 there were 769 cases in Audit Review including 73 individual income tax cases.

Approximately 414 non-legal CIFT cases under protest with complex issues and 118 Legal cases



Audit Review and Appeals

Sales Unit:

At FYE 06/30/17 there were 803 cases including 154 excise tax cases.

123 protested non-legal cases and 184 legal cases.

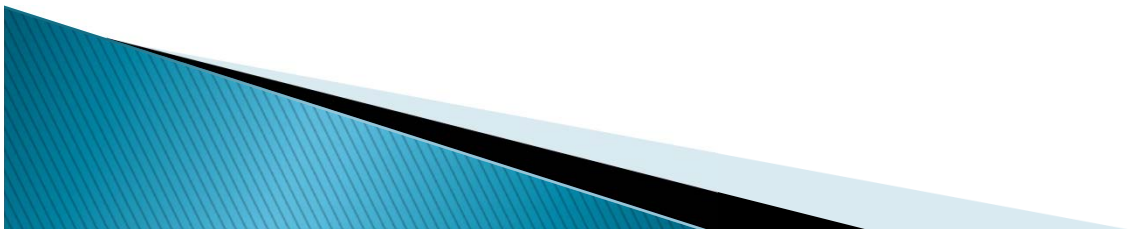


Audit Review and Appeals

Case load:

Corporate/Individual Income Tax: 154 cases per reviewer.

Sales/Excise/Misc.: 160 cases per reviewer.



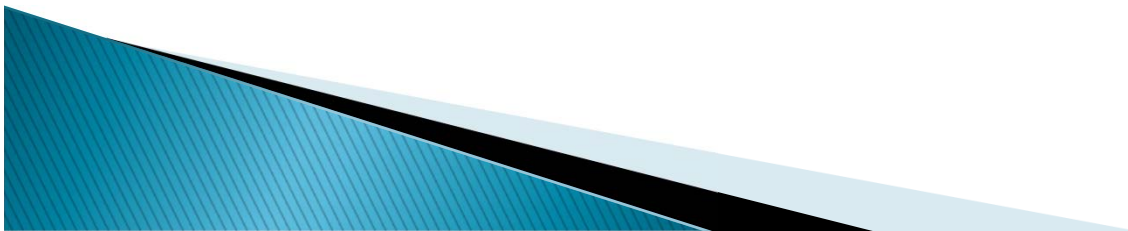
Voluntary Disclosure Program

	FYE 6/30/16	FYE 6/30/17	09/30/17
Total Applications	164	112	56
Approved Applications	56	59	24
Disqualified Applications	22	13	8
Collections	\$2,716,175	\$4,793,378	\$1,638,696



Audit Intelligence

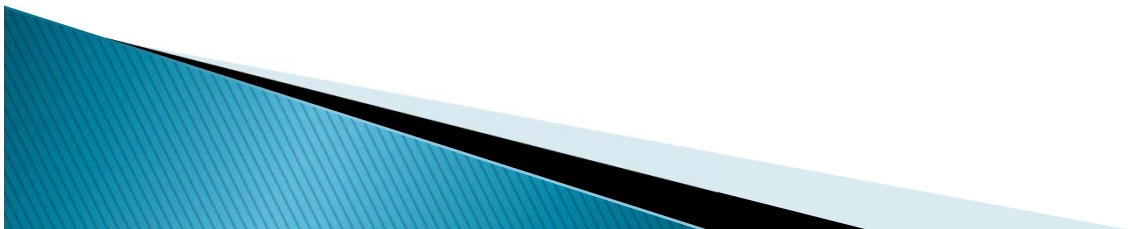
Mission: To provide comprehensive cross Agency support by efficiently examining and analyzing internal and external data to develop productive leads in order to maximize compliance



Audit Intelligence

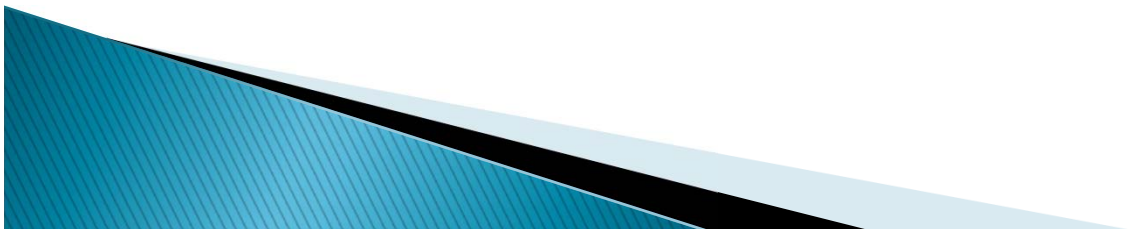
Goals:

- ▶ Identify material tax issues, tax avoidance measures and areas of non-compliance
- ▶ Increased number of accounts reviewed
- ▶ Develop data summaries within Delta for internal analysis
- ▶ Analyze outside sources of data to identify areas of non-compliance



Audit Intelligence

	FYE 06/30/17	09/30/17
CP2000	38,808	9,381
RAR	9,271	2,382
Fed/State Mismatch	5,858	2,292
W2 Non Filers	431	24



Audit Intelligence

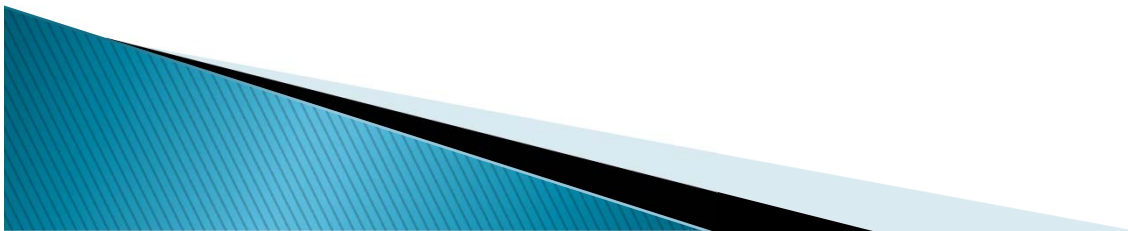
	FYE 06/30/17	09/30/17
CP2000	\$15,708,930	\$3,280,000
RAR	\$7,093,974	\$2,742,316
Fed/State Mismatch	\$4,327,823	\$984,657
W2 Non Filers	\$446,770	\$35,687



Audit Intelligence

SAS/Other Initiatives

- ▶ Individual Income Tax
- ▶ Severance Tax
- ▶ Sales Tax
- ▶ Corporate/Flo-Thru Entities



Tax Group 3

QUESTIONS?

