

What to Expect When Selected for a Tax Examination

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This guidance document may change with updated information or added examples. The Department recommends you do not print this document. Instead, sign up for the [subscription service](https://revenue.nebraska.gov) at revenue.nebraska.gov to get updates on your topics of interest.

Your business has been selected for a tax examination by the Department. Now what? Being selected for an examination does not necessarily indicate the Department thinks your business is reporting taxes incorrectly. The Department has the right to examine any taxpayer's records, including electronic records, to determine if all taxes were properly reported, collected and paid, or in some cases, if a refund is owed. This process is an opportunity for you to get clarification regarding tax laws and how they pertain to your business. Our examiners are committed to helping educate you regarding various tax laws and programs.

Examination Process

You have been contacted by an examiner from the Department, received a confirmation letter, included in this mailing, and have the date, time, and location set for the exam, what do you do now?

Pre-exam Preparations

Here are a few simple things you should do after receiving the confirmation letter:

- ❖ Confirm that the date, time, and location match what was discussed on the phone.
- ❖ If you would like us to work with a representative, and have not already informed us of that, please complete the [Power of Attorney, Form 33](#), and return it to the examiner.
- ❖ Check the list of requested records. Some records on the list may not be applicable to your business, so if there are any that you have questions on, contact the examiner.
- ❖ Start gathering records now. If your records are incomplete and you need to obtain copies from the bank or your vendors, it can take some time.
- ❖ If needed records cannot be obtained from any source, call your examiner. They may have suggestions on other documentation you can provide that will contain similar information.

Examination Day

The day of the examination, you and your representative, if you are represented, will meet with the examiners. The examiners will present you with official Department identification. In most cases, the exam begins with a short question and answer session. This allows the examiners to familiarize themselves with your particular business, and provides you with an opportunity to ask any questions that you might have.

After the initial Q&A session, the examiners will begin looking at your records. In most cases, you can go about your normal business during the exam; however, questions may arise. If you prefer, examiners can save questions for a pre-planned time during the day or ask as they arise.

The examination will go faster if you provide as many records as possible.

- ❖ Refer to Reg-1-008 for more on record requirements.
- ❖ Refer to Reg-1-008.08 when records are missing or incomplete.

After examiners have reviewed records, they will meet with you and your representative and discuss any initial findings or concerns that detail any overpayments or additional tax due. If additional tax liability is owed, final work papers will be accompanied by a Voluntary Compliance Letter. Voluntary Compliance Letters are sent via U.S. mail, but can be sent via secure email, or both; upon request.

Voluntary Compliance Letter

Once a Voluntary Compliance Letter is issued, you have 20 days after the date of the letter to provide additional documentation. The examiners may make revisions based on any additional information provided.

Do not wait until the 20th day to provide documentation.

The Voluntary Compliance Letter needs to be signed and postmarked by the 20th day.

Penalty Abatement

By working with Tax Discovery, some or all of the penalty may be abated (removed). When the Voluntary Compliance Letter is mailed there will be information contained in the letter regarding any consideration of penalty abatement. **All tax and interest must be paid before the penalty abatement will be considered.**

Payment Options

Payment is not required at the time you sign the letter. However, payment in full or partial payment will reduce future interest. If you are unable to pay in full, you may go to the Department's website for instructions on how to [request a payment plan](#).

Formal Assessment

Should you choose not to sign the Voluntary Compliance Letter, or you do not respond to the letter within the 20-day period, a Notice of Deficiency Determination may be issued. Any protest of the Notice of Deficiency Determination will be handled by the Department's Legal Section. If there is no protest, within 60 days of the mailing of the Notice of Deficiency, the assessment will become final and collection efforts will be initiated. For information on how to protest an assessment see the [How to Protest a Notice of Deficiency Determination Information Guide](#).

Hints and Tips:

- ❖ **The more information you can provide for the exam the better. The Department prefers to work from actual numbers provided rather than having to project tax amounts if information is missing.**
- ❖ **Stay in contact with your examiner. The more you work with us, the more we can work with you.**
- ❖ **Answers to questions regarding taxation may also be found on the Department's website.**
- ❖ **The Department highly recommends setting up a separate bank account for sales tax collected from customers only. You should ask that your bank label it as a Trust Account for Nebraska Taxes.**