

## FRANCHISE TAX

### **Desk Audit Program**

The Comptroller's office plans to review approximately 29,000 franchise tax reports that were filed in 2008. The review will focus on the following three areas:

1. Taxpayers that reported a Standard Industrial Classification (SIC) Code in the service industry and computed margin using the cost of goods sold computation;
2. Taxpayers that reported No Tax Due for 2008, but reported greater than \$300,000 in gross receipts everywhere on their 2007 franchise tax report; and
3. Taxpayers that used the 0.5 percent tax rate. We will review SIC code information previously reported by the taxpayer and the taxpayer's Web site (if applicable) to determine if the taxpayer is indeed a wholesaler or retailer that might have qualified for the 0.5 percent tax rate.

Taxable entities whose 2008 reports do not appear to meet the statutory requirements for using the cost of goods sold computation, no tax due provisions and the criteria for the 0.5 percent tax rate will be contacted. This contact may be in the form of a deficiency determination which may be contested by the taxable entity.

Any taxable entities that find they had a reporting error related to one of the above mentioned issues in their 2008 report, and then amend their report to correct the error, will be granted a waiver of penalty.

Please note that this review process will not preclude an audit of the 2008 report year for other issues.