



# UNDERSTANDING TEXAS SALES & USE TAX AUDITS

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## About the Author

As the Founder and Managing Partner of Brown Goertz & Co., Susan Berry helps owners and executives across multiple industries minimize their financial exposure when they're being audited by the Texas Comptroller of Public Accounts for Texas Sales and Use Tax.

Susan's primary disciplines include state and local transaction services, including refund engagements, compliance, sales and use tax planning, due diligence, audit representation, exposure analysis, and taxability matrices. She has extensive experience in the telecommunications, restaurant, technology, and manufacturing sectors.

Prior to launching Brown Goertz & Co., Susan served for 15 years as the President and Chief Operating Officer of Streamline Tax Solutions where she was responsible for scaling Streamline's operations and expanding its presence through managing the strategic services roadmap, client relationships and overall business management. While there, she managed all the state and local sales tax services and created significant refund opportunities for many clients. Utilizing her extensive knowledge of tax laws and experience with audit techniques, she obtained considerable tax savings for many clients during audit representation.

Before Streamline, Susan spent five years with Intelemedia Communications. Susan was the Vice President of Operations where she built a team of associates delivering Interactive Voice Response Technology to the pharmaceutical industry. Susan's process development and corporate communication skills were instrumental in Intelemedia's turnaround, growing the company revenues from \$1MM to \$25MM in under five years.

After studying accounting at the University of Nebraska - Lincoln, Susan worked as a staff accountant for John M. Corcoran & Company in Milton, Massachusetts with locations throughout New England, as well as in New York, Georgia, Tennessee, South Carolina, Florida, Michigan, Texas, and Washington D.C. She went on to work as a project manager and implementation specialist for DMSi Software in Omaha, Nebraska and PrimeSource Building Products in Carrollton, Texas.

Active in the North Texas community, Susan has served on the Board of Directors of Hope's Door and served as the Board Treasurer for several years. Hope's Door is the largest comprehensive domestic violence shelter in Collin County, Texas and serves approximately 3,000 families per year.

## INTRODUCTION

There are few things that are more stressful than receiving an audit notice from the Texas Comptroller of Public Accounts. It's no surprise that States are feeling the pinch of the economy and Texas is no exception. Tax audits require weeks, if not months of effort and distraction, and come with the potential for tens of thousands of dollars in interest and penalties cutting into your bottom line.

This guide was created from the real-life knowledge and experience of tax professionals who have helped thousands of businesses just like yours navigate a sales and use tax audit with the Texas Comptroller. It provides information to help you understand the audit process. At the end of the day, the best defense against being audited is a good offense; but what if you've found yourself with an audit notice now? This guide contains tips, techniques and tools that will enable you to effectively manage your sales and use tax audit including eight reasons companies are targeted for an audit, the seven steps of the audit process, five common misconceptions about Texas sales and use tax audits, four things you should know to prepare for your audit and five mistakes to avoid when choosing a tax consultant.

Choosing a professional tax consultant to assist you isn't easy. You are overloaded with sales letters in your mailbox that all say the same thing and telemarketers blowing up your phone for days on end. You are bombarded with misleading and confusing claims and bad information. From super-low prices and high-pressure sales to unqualified consultants and too much information to wade through. How do you ever find a qualified, competent, and professional tax consultant? How do you know you even need a tax consultant?

Start by reading this Guide to Understanding Texas Sales and Use Tax audits. In this fact filled booklet, you'll discover what to expect in your audit and how to avoid common mistakes. We wrote this guide to help you better understand the Texas Sales and Use Tax audit process and with this information, you can make an informed, intelligent decision when selecting the right tax consultant for your business.

We've dedicated our firm to educating and empowering Texas businesses and taxpayers. If you have any questions about your audit that aren't covered in this guide, you are always welcome to call us at 469.742.1159. We'll be happy to help you in any way possible.

**WHY ARE YOU BEING  
AUDITED?**

To the State of Texas, your business represents a revenue stream, plain and simple. Their job is to maximize that stream, and a sales and use tax audit is one of their primary tools. In a sales and use tax audit, an auditor reviews your business records over a period of days, weeks, or even months to determine whether you are under-reporting or underpaying taxes that are legally due. In addition to the time, effort, and diversion of resources this takes on your part, the resulting penalties can be substantial.

The Statute of Limitations in Texas is four years. That means that your audit period will most likely look back four years. This statute can be extended by agreement for up to two years. It is very important to consult with an experienced tax consultant before signing a statute extension with the state.

Just because you have been selected for a sales and use tax audit does not mean you will automatically have to pay additional tax due. Conversely, just because you have done everything right doesn't mean that you're not going to have to spend considerable time and money proving it.



**Issue #1: Resale Certificates**

Resale certificates can be a major red flag. Using them to purchase items that will be used rather than resold can result in enormous penalties. Understanding the rules about your business and what can and cannot be purchased tax-free is vital. If you have issued a resale certificate improperly, you are an audit candidate.

**Issue #2: Exemption Certificates**

Much like resale certificates, it is important to understand when it is appropriate to issue an exemption certificate for your purchases and when it is not. Issuing exemption certificates for non-exempt purchases highlights you for an audit. Companies that purchase or sell a lot of exempt items are happy hunting ground for auditors as there is ample room for misinterpretation, error, and fraud around what is exempt and what is not.

### Issue #3: Audit Lead

If one of your vendors has not charged you proper use tax, and that vendor gets audited, you may be audited as well. By the same token, if you have not taxed your customer correctly, the auditor may look to see if that customer has reported use tax on their return and if they have not, the auditor will most likely flag them for an audit. Current audits provide the best sources and leads for future audits.

### Issue #4: Visual Inspections

Auditors will often take note of surrounding businesses to those they are auditing and flag them as an audit lead.

### Issue 5: Whistle-blowers

The State of Texas Criminal Investigation Division is all too happy to take hotline calls. Disgruntled employees, upset customers, aggressive competitors, and even neighboring businesses upset at you for one reason or another can make a call that puts you on an audit list.

### Issue #6: Casual Observation

Auditors are people too, and they are out there buying items and living normal lives. Rest assured they do not turn off their professional antennae when purchasing from you.

### Issue #7: High Non-Taxable Sales Reported

The State monitors the deduction percentages by industry and if you are reporting a higher percentage of deductions than is normal for your industry, you will be audited to ensure that you are taxing your customers properly.

### Issue #8: Certain Susceptible Industries

Companies that are in an industry with a tradition of under reporting are often low-hanging fruit for the Texas Comptroller.



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## ***THE AUDIT PROCESS***

### **Step #1: Audit Questionnaire**

When an audit is generated, an audit letter and questionnaire are mailed to the taxpayer. This is the first impression that the Auditor will receive, so it should be done completely and accurately. If the completed questionnaire is not returned within 30 days, the taxpayer will be called, and a 2nd questionnaire sent by certified mail. If there is no response, the Auditor will visit the taxpayer's place of business to examine the business records and may issue a subpoena if records are not made available.

### **Step #2: Schedule the Start of the Audit**

The auditor will contact the taxpayer to schedule a date to start the audit. Depending on the size of the business, they may schedule multiple days. They will send a form letter requesting documents. This letter can sometimes be confusing for taxpayers as not all taxpayers have all the documents listed on the letter. Remember, this is a form letter and is a guide to what should be provided, if available. You should provide what you have but don't get worried if you don't have everything on this list. As an example: "Contracts / Job Files". If you are a Dry Cleaner, you won't have contracts or job files.

### **Step #3: Entrance Conference**

The entrance conference is the first day of the audit. The auditor will interview the taxpayer and ask questions to learn about the taxpayer's business and determine the taxpayer's knowledge of the law as it applies to their business. They will ask questions about operations, determine the taxpayer's method of compiling the information that is reported on the Sales and Use Tax Return, and discuss the audit procedures. Having an experienced and knowledgeable consultant to represent you at this time is critical. The Entrance Conference is the most important day of the audit! Making sure that the auditor is correctly informed of your business, and your processes and is applying the appropriate tax rules is paramount to a successful audit. It is extremely difficult to get an auditor back on track once they've gone off "into left field".



#### Step #4: Fieldwork

This is the period where the auditor performs their work. Technology allows for most of the fieldwork to happen away from the taxpayer's office / location but there are circumstances that require the auditor to be on-site for some of the fieldwork. After the first day(s) of the audit, the auditor may provide you with lists of additional documents to provide. Sometimes this is disconcerting to taxpayers as they don't understand why the auditor is asking the questions they are asking and requesting the documents they are requesting. It's like the auditors are speaking German and the taxpayer speaks Spanish and neither can communicate with the other. That's where an experienced and professional consultant can make a big difference. We know what the auditor wants and why and we can work with the taxpayer to provide the appropriate documentation to satisfy the auditor and let them continue their fieldwork. We also know when the auditor is asking for something that they really don't need and can steer them in the direction that is more efficient to getting the audit completed.

#### Step #5: Exit Conference

Once the auditor has completed their fieldwork, they will conduct an Exit Conference to explain the audit procedures and findings including a description of examined records, audit procedures used, explain the taxpayer's rights and remedies, and educate the taxpayer as to proper procedures to follow in the future. The auditor may attempt to collect the amount that they have determined is due. Don't feel pressured here. You do not have to pay the assessment at this time. Interest will continue to accrue on the final amount that is due; but what if the audit is wrong? What if you disagree with their findings? Don't pay the assessment until you've had a professional look at the audit and make sure that it's correct. Interest and penalties will be adjusted relative to the final tax amount due.

#### Step #6: Appealing the Audit

You have the right to appeal your audit by filing a *Petition for Redetermination Hearing and Statement of Grounds*. This filing is due within 30 days of the billing date of your audit and will be stated on the front page of your audit bill. There are specific rules to filing for a redetermination hearing and consulting with an experienced, professional tax consultant should be considered if you wish to appeal your audit. It has been our experience that 80% of all Texas Sales and Use Tax audits are incorrect. It doesn't hurt to have someone review your audit to make sure it's right before you pay it. Chances are, it's not!



## **TEN COMMON PITFALLS**

As an audit proceeds, there are numerous items and conditions that the auditor will commonly look for. Here are the top ten pitfalls that are most likely to trip you up, and what you need to do to avoid them:

### Pitfall #1: Use Tax

Use tax is the tax you pay on purchases of everything from office supplies to large, fixed assets. If the vendor that you purchase from doesn't charge you the correct sales tax, you have the responsibility of accruing and remitting use tax directly to the State of Texas on your Sales and Use Tax Return. Unfortunately, many people do not know this until it is too late, and they are assessed the tax, interest, and penalties in an audit. The only way to ensure that you are compliant in payment of use tax is to implement an accrual process to capture those purchases that should be reported, report them, and keep very good documentation. Did you know that if you report use tax but can't explain to the auditor exactly which vendors and invoices you were accruing and remitting; the auditor will tell you "Thank you very much for the use tax" and then assess you on your purchases again? Maintaining the appropriate support and documentation are extremely important.

### Pitfall #2: Exemption and Resale Certificates

If you do not have the proper certificates to support your non-taxed sales, you will be allowed to get them during the fieldwork and appeal phases of your audit but as discussed below in the section about "good faith" this can be a slippery slope and it's best to have a process to always ensure exemption and resale certificate compliance.

### Pitfall #3: Unreported Sales

Mistakes happen and sales can go unreported. Understanding your businesses' taxing responsibility is critical and you should have a good accounting system that is set up properly to automatically determine and calculate the tax.



#### Pitfall #4: Charging the Wrong Tax Rate

Understanding how the “local” part of “state and local tax rates” work is vitally important. In Texas, there is a State rate of 6.25% and then there are county rates, city rates, mass transit authority rates (MTA); special purpose district rates (SPD) and advanced transportation district rates (ATD) and some cities have all of these and multiples of each. It’s important to understand how the rates apply to you and how they apply in each circumstance. For example, did you know that the rate changes if you deliver versus the customer picks up at your location? Did you know that the rate can change if you install versus just selling to the client? Some rates are dependent on your location, and some are dependent on your customer’s location.

#### Pitfall #5: History of Audits and Assessments

Once you have been audited, you are now a target for future audits and as long as the State continues to find significant dollars by auditing your company, they will continue to do so. The best thing that you can do is to know your taxing responsibilities inside and out and put processes and procedures into place and have good documentation to ensure that you are complying with the rules. Adequate documentation makes an audit go much more smoothly, while poor record keeping will prolong an audit and may ultimately cost you thousands of dollars.

#### Pitfall #6: Unique Rules and Regulations

Some rules are difficult to understand. Taxpayers and auditors alike struggle to determine how to apply specific rules to specific industries. As an example, landscapers mow lawns, they plant trees and flowers, and they build retaining walls and other permanent structures. It’s possible for three different rules to apply to one invoice. As with the pitfalls noted above, knowing how the rules apply to your business along with adequate documentation and processes are necessary to keep you out of trouble.



Pitfall #7: Sales Tax Accruals

Many companies do not properly remit the sales taxes they have collected. The auditor will look at your bank statements, federal income tax returns, general ledgers, invoice registers, invoices, sales journals, and summaries to identify and reconcile any discrepancies and assess tax on those discrepancies. The best advice here is to make sure that you are using a good accounting system, set up properly to track your sales and reconcile your sales each month before you report and remit.

Pitfall #8: Acquisitions

A business acquisition can really muddy the waters when it comes to sales and use tax compliance. An acquisition can take you into new markets where you are unfamiliar with the tax rules and then there may be issue of successor liability. When you acquire a company, there are certain steps that must be taken, or you automatically assume all the tax liabilities of the company you are acquiring. Consulting with an attorney and professional tax consultant can help you structure the acquisition so that you avoid or at least minimize future audit liabilities due to the acquisition.

Pitfall #9: Internet Purchases

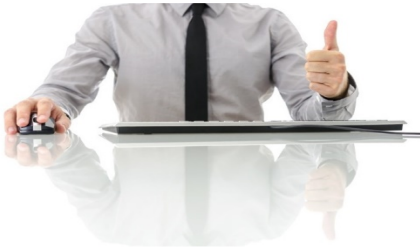
Many taxpayers are unaware that the purchases that they make online most likely aren't taxed. That is beginning to change with the United States Supreme Court ruling in the South Dakota v. Wayfair, Inc. case. It's important for you to take note and make sure that you are accruing and remitting use tax due on purchases made over the internet.

Pitfall #10: Audit Questionnaire

The questionnaire that the auditor sends you at the beginning of the audit can seem innocuous at first but beware. There are questions on the questionnaire designed to uncover unregistered businesses and businesses engaged in fraudulent activities. Consulting with an experienced and professional tax consultant before you complete the questionnaire can save you headache down the road.



## ***WHAT IF YOU CANNOT PAY YOUR AUDIT BILL***



You have several options if you cannot pay your bill. Don't worry! You don't have to close your doors and lay off everyone that works for you!

### **Penalties**

An assessment usually includes a 10% penalty. If this is your first audit, there should be no penalty assessed except for amounts that are considered “tax collected, not remitted” or for periods in which additional tax is due that your return filing was late. If this is not your first audit, 10% is standard on the entire amount due. In some cases, an additional penalty of 50% (also called “fraud penalty”) may be assessed if the error is considered a “gross” error. In these cases, the State may also create a “Personal Liability Assessment” which is an assessment against the principals of the company. For example, if you are the owner of a plumbing company and it is organized as an LLC (Limited Liability Corporation) and you are assessed a 50% fraud penalty, the State will create a taxpayer number specifically for you, the owner and assess you for the amount of the audit as well. This is not in addition to the audit, it's the State's way of preserving their ability to collect the tax due from you personally. Thought your LLC protected you, didn't you?

### **Settlement Options**

The State is not interested in closing you down. If they do, that's less revenue they take in. Putting Texas businesses out of business is not good business for Texas. They will work with you and depending on where in the process you ask for settlement, you'll get different answers. In some cases, you can get an interest-free payment plan, in some cases, you can have all penalties and interest waived. Again, this is the time to consult with an experienced and professional tax consultant.



### Insolvency

Insolvency is the inability to pay debts as they fall due in the usual course of business and/or having liabilities in excess of a reasonable market value of assets held, or insufficient assets to pay all debts. Section 111.102 of the Tax Code, Collection Procedures, gives the Comptroller authority to settle a claim for a tax, penalty, or interest. Substantial documentation will be required to prove that you are actually insolvent and eligible for this option.

### Bankruptcy vs. Texas Sales Tax

If a taxpayer is bankrupt and did not file returns and remit taxes collected, the taxes collected generally will not be discharged by the bankruptcy court unless the Chapter 11 or Chapter 13 reorganization plan allows for such a discharge. If the State does not file a proof of claim prior to the Bar Date, the State's claim for taxes in some instances may be discharged.



In conclusion, Texas Sales and Use Tax Audits can be a scary and potentially costly problem. However, good records should be kept and a qualified tax professional should be contacted to assist during the entire process.



***FIVE COMMON  
MISCONCEPTIONS  
ABOUT TEXAS SALES  
AND USE TAX AUDITS***

**Misconception #1: Ex-auditors Make Good Tax Consultants**

To be completely blunt, firms like mine are in businesses for a reason, because most auditors aren't very good at their jobs. The rules are confusing, and, in most cases, they don't take the time to really understand your business, apply the appropriate rules and audit you following appropriate procedures. If they aren't good as an auditor, how could they possibly be good as a consultant? At Brown Goertz, we generally don't hire ex-state auditors for that reason. Please be careful of those firms who tout that the reason you should hire them is because they are ex-state auditors. I've defended audits against many of them when they were auditors, and I would not recommend them to be the expert professional that you need on your side.

**Misconception #2: We Do Everything Right; We Don't Need an Expert to Represent Us**

Representing yourself in a Sales and Use Tax Audit is like being sued and representing yourself in court. You don't know what you don't know. You may have the right argument, you may have all the appropriate documentation to support your position but if the auditor looks right at you and says "NO", what do you say next? A qualified, experienced tax consultant will know what to say next.

**Misconception #3: My CPA Has Expert Knowledge About Sales and Use Tax Audits**

Sales and Use tax audits are such a specialized area of tax, we find that most CPAs don't have the bandwidth for that expertise. They are experts in financial reporting and federal income tax issues and most CPAs would agree that their clients benefit from partnering with an expert. Bringing an expert consultant to work with your CPA is one of the best things you can do.



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***FIVE COMMON  
MISCONCEPTIONS  
ABOUT TEXAS SALES  
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**Misconception #4: That Was Not an Issue in My Last Audit So I Must Be Doing It Right**

Just because the auditor in your last audit either 1) didn't assess you on an issue or 2) told you, you were doing it right; if you were doing it wrong and the auditor in the current audit assesses you, you cannot use the previous audit results as your defense. The previous auditor may have missed the issue, the previous auditor may have mis-understood the issue as it relates to your business. There are administrative hearing documents where the judge tells the taxpayer that they "are not entitled to rely on the previous audit results". That's why it's important to fully understand your obligations regarding compliance so you are not relying on auditors who may or may not be correct in their assessment.

**Misconception #5: All State and Local Tax Consulting Firms Are the Same**

Some tax consulting firms hire only highly intelligent, client focused people who can solve complex problems and then some tax consulting firms hire anyone who previously worked as an auditor for the State of Texas. This audit is too important to your business and to you as an executive or owner of the business. This audit could mean the difference between making a profit this year or showing a loss and being in debt for many years to come.







***FOUR THINGS YOU  
SHOULD KNOW ABOUT  
THE AUDIT***



What Documents You Should Have Ready for The Auditor?

Remember the letter and list I referenced earlier when talking about the audit process? Remember how I said that you won't have all of them? The documents that you will need to provide will be based on your business. At a very minimum, you'll need to provide the following:

- |                       |                                      |
|-----------------------|--------------------------------------|
| Income Tax Returns    | Sales & Use Tax Returns with Support |
| Chart of Accounts     | Resale & Exemption Certificates      |
| Sales Journals        | Trial Balances by Year               |
| P&L by Month          | Sales Detail by Customer             |
| P&L GL Detail         | Sales Tax Payable GL Detail          |
| Fixed Asset GL Detail | Bank Statements                      |



## ***FOUR THINGS YOU SHOULD KNOW ABOUT THE AUDIT***

### What Are the Requirements of A Good Faith Certificate?

Did you know there are requirements for a good faith certificate (exemption and resale)? In other words, did you take the certificate in “good faith”? Any certificates that you have on file when the audit starts cannot be “independently verified” by the auditor. That means that if that person gave you an improper certificate, if it meets all the rules of “good faith”, the auditor has to accept it. The good faith requirements are:

- 1) Certificates must be complete; there cannot be any blank fields. Make sure all fields are filled out. Even missing a phone number can invalidate the certificate and the auditor can make you get a new one and then verify that it’s appropriate for that person or company to give you the certificate.
- 2) If it’s a resale certificate, make sure that you take note of the taxpayer number. It must be eleven digits long and start with a “1” or a “3”.
- 3) The certificate should have been taken at the time of the sale or near then. You can have a blanket certificate for all sales to a customer but again, it should have been taken at or near the beginning of the relationship.
- 4) AND THIS IS THE BIG ONE - Make sure you take note of the purchaser’s business, and it makes sense that they would resell what they are buying from you. If it doesn’t make sense, the auditor will deny the certificate. Example: a motorcycle shop owner gives a resale certificate for a \$25,000 diamond ring purchased from a jeweler. The jeweler shouldn’t accept that certificate because it doesn’t make sense that the motorcycle shop would resell a \$25,000 diamond ring.

***FOUR THINGS YOU  
SHOULD KNOW ABOUT  
THE AUDIT***



**How Long Will My Audit Last?**

That depends on many factors. Please don't assume that because the auditor scheduled two days to start the audit that that's all it's going to take. The length of the audit depends on the size of your business, how organized your records are, how much time you must devote to the audit, how many other audits the auditor is working on, etc. Again, this is where an experienced and professional tax consultant can assist you. They will work with you to make sure that all the documents the auditor will need are available at the beginning of the audit and work with you to get any additional documents the auditor may determine they need. They can also work with the auditor to stay at the top of the auditor's priority list and get the audit over with as quickly as possible.

**What if you disagree with the audit results?**

Recall earlier, I explained to you the appeal process and possible settlement options. Working with an experienced and professional tax consultant to ensure that the audit, when complete, is correct and there is no need for an appeal.



## ***FIVE MISTAKES TO AVOID WHEN CHOOSING A TAX CONSULTANT***

### **Mistake #1: Choosing a Tax Consultant Simply Because They Are an Ex-State Auditor**

There is no questioning the fact that your tax consultant should be an expert in Texas Sales and Use Tax. But just because someone was an ex-state auditor that does not guarantee that they are an expert. In many cases, they are far from an expert. Auditors are trained that taxpayers are criminals and stealing money from the State and it is their job to find the money. That's hard to train that out of someone when they decide to switch sides and advocate for the taxpayer. Our perspective is that most Texas taxpayers are just good people trying to make a living and provide jobs for other people to support their families. In most cases, any errors that are made by taxpayers are simply because they didn't know. They aren't criminals and they aren't stealing from the State. They want to do things right; they just don't know how.

### **Mistake #2: Choosing A Tax Consultant Based on Price Alone**

Yes, price is important and when everything else is equal, it may be the deciding factor. But very rarely is everything equal. For example, how many of you are driving used Yugos? Or wearing a suit you bought at a garage sale? Or watching an 8-inch black and white television? Have you heard the old saying "you get what you pay for"? That's absolutely the case here. You should make sure that the consultant you hire is highly experienced, especially in your industry. Do they offer a written satisfaction guarantee, and do they have solid references that you can talk to on the phone and make sure they will deliver what they say they will?



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## ***FIVE MISTAKES TO AVOID WHEN CHOOSING A TAX CONSULTANT***

### **Mistake #3: Choosing A Tax Consultant Based on A Single Telephone Call**

One telephone call cannot give you the information and confidence you need to make an educated choice. Instead, interview them as if you were hiring them for a permanent position with your company, ask for references, ask them some of the questions we've outlined in this guide. How did they answer? Did they know the answer? Some of the people who are calling you are not consultants but salespeople who work for a consultant and really don't have any idea what they are talking about. How can you get the confidence you need if you aren't even talking to the expert?

### **Mistake #4: Choosing A Tax Consultant Who Doesn't Offer A Satisfaction Guarantee**

Every tax consulting firm and tax consultant should be fully accountable for their work. If you aren't pleased with the service in every way, you shouldn't have to pay for it. Period. Not many consultants offer a guarantee. Or, if they do, the guarantee may be "limited". Ask them if they offer a satisfaction guarantee and make sure the guarantee is included on the written quote you receive from them.

### **Mistake #5: Choosing A Consultant Without Checking References**

Consultants can and will say anything about former audits they've worked on. Unfortunately, some of what they say may not be true. Make sure you ask for references or read comments from current clients.



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## ***THREE STEPS TO TAKE IF YOU ARE HIRING A TAX CONSULTANT***

If you are thinking about hiring a consultant to assist you with your sales and use tax audit, you should follow these steps to ensure that you make the best choice for your specific circumstances. By following these three steps, you will gain all the information you need to make an informed, intelligent decision.

### **Step #1: Make a Commitment to Yourself To Learn What You Need to Know to Be 100% Compliant Going Forward to Audit-Proof Your Business**

Many tax consultants are “paper pushers”. They will forward you emails from the auditor; you will get what the auditor wants, and the consultant will send it to the auditor. You need a consultant who will not only work with the auditor but will also educate you about the process, educate you about your industry and your business specifically and help you put compliance measures in place. You need a consultant who will be there for you after the audit to answer your questions.

### **Step #2: List Your Objectives**

Do you want to have an experienced, professional tax consultant assist you through the audit or do you want to try to handle it yourself to possibly wake up one day with an audit assessment that you don’t agree with, can’t afford, and don’t understand? Do you want to work with an honest, reputable firm or are you willing to risk working with a firm that offers you the lowest price?

### **Step #3: Ask Questions**

The way to learn about a consulting firm is to ask specific questions and then listen carefully to the answers. Ask them specific questions about your industry, your business, your concerns. Use this guide and ask them about good faith, ask them about statute, ask them about documents they need to provide. Do they answer your questions, or do they say something like “if I told you that I’d have to kill you”? Because there is a firm that actually says that to prospective clients! Ask them if they provide a written guarantee and can they provide you with references?



## WHO WE ARE

Brown Goertz & Co provides businesses of all sizes state and local sales tax consulting, specializing in Texas Sales and Use Tax Audit Defense, Reduction Strategies, and Texas Sales and Use Tax Managed Audits. Brown Goertz & Co's consultants help businesses of all sizes mitigate risks when faced with an audit. Our experts work diligently and tenaciously to ensure our clients' audits result in the lowest possible assessment. It takes an expert to navigate the Texas sales tax audit process and Brown Goertz & Co consultants are the experts.

## THE BROWN GOERTZ & CO. PROMISE

We have a simple approach to client service. We want you to be thrilled with the work we perform for you. If that isn't the case, we'll make it right.

Once you have an audit that results in less than \$10,000 in tax due to the State of Texas, they will stop auditing you. It's not worth it for the State to continue going to a dry well. At Brown Goertz & Co, our objective is to no longer have you as a client. We want to get you so good at Texas Sales and Use Tax that the State will stop auditing you and you won't need us anymore.

If you have any questions about your audit that aren't covered in this guide, you are always welcome to call us at 469.742.1159. We'll be happy to help you in any way possible.