

What to Expect When Selected for a Tax Examination

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

Your business has been selected for a tax examination by DOR. Being selected for an examination does not necessarily indicate DOR thinks your business is reporting taxes incorrectly. DOR has the right to examine any taxpayer's records, including electronic records, to determine if all taxes were properly reported, collected and paid. 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 DOR and received a confirmation letter. This letter includes the date, time, and location set for the exam.

Pre-exam Preparations

Here are a few simple things to 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 your representative, please complete a [Power of Attorney, Form 33](#), and return it to the examiner before the exam start date.
- ❖ Check the list of requested records. Some records on the list may not be applicable to your business, so if there are any records that you have questions on, contact the examiner before the exam start date.
- ❖ Start gathering records now. If your records are incomplete and you need to obtain copies from the bank or vendors, it may take a while to obtain or receive these records.
- ❖ If necessary records cannot be obtained from any source, call your examiner before the exam start date. The examiner 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 DOR 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. In some cases the examination may be conducted remotely.

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. You can ask the examiners to save questions for a pre-planned time during the day or ask as they arise, whichever works best for you.

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 for when records are missing or incomplete.

After the examiners have reviewed your records, they will meet with you and your representative and discuss any initial findings or concerns.

Post-exam Proceedings

If the examination shows that you owe additional tax, final work papers will be accompanied by a Voluntary Compliance Letter (VCL). A VCL signed by the taxpayer is the acceptance of tax liability and the voluntary reporting of taxes due. VCLs are sent via U.S. mail, but can be sent via secure email, or both; upon request.

Once a VCL 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 VCL needs to be signed and postmarked by the 20th day.

Payment Options

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

Penalty Abatement

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

Formal Assessment

Should you choose not to sign the VCL, or you do not respond to the letter within the 20-day period, a Notice of Deficiency Determination (assessment) will be issued. Any protest of the assessment will be handled by DOR's Legal Section. If there is no protest, the assessment will become final 60 days after the issuance date of the assessment. Collection efforts will be initiated if no payment is made or pay plan is entered into. For information on how to protest an assessment, see [How to Protest a Notice of Deficiency Determination Information Guide](#).

Hints and Tips:

- ❖ **The more information you can provide for the exam the better. Missing records can result in estimated tax assessments.**
- ❖ **Stay in contact with your examiner. The more you work with us, the more we can assist you with the process.**
- ❖ **Answers to frequently asked questions regarding taxation may also be found on DOR's website.**
- ❖ **Set up a separate trust account for sales tax collected from customers.**