

## **STATUTE CONTROL RPTT DESK AUDIT**

### **I. SCOPE**

While desk audits of Real Property Transfer Tax (RPTT) returns are generally completed within the three (3) year period allowed by law for review of original filings, there are instances in which an auditor may require additional time. The law allows, with consent of the taxpayer, an extension of the initial three (3) year period. This Statement of Audit Procedure provides guidelines and procedures for the control of the Statute, so that all desk audits are completed before the expiration of the Statute of Limitations.

### **II. RESPONSIBILITIES FOR STATUTE PROTECTION**

For all personnel engaged in audits, Statute Protection is a paramount responsibility. Branch Chiefs, Unit Managers, and Group Chiefs have equal responsibility for ensuring that the Statute is protected, and that all systemic controls are instituted and maintained. The primary responsibility for protecting the Statute lies with the auditor who has been assigned the audit of the tax return.

### **III. PROCEDURE: STATUTE CONTROL SYSTEM**

#### **A. File System Overview**

An RPTT desk auditor shall maintain two chronological filing systems. A computer should be used to maintain the two filing systems, whenever possible. One file system (File A) should be maintained for the cases in inventory with fifteen (15) months or more before the expiration of the Statute of Limitations. A second file system (File B) should be maintained for at risk cases with less than fifteen (15) months before the expiration of the Statute of Limitations. File B should also contain any cases for which an extension of the Statute of Limitations has been requested from the taxpayer.

## **B. Auditor's Role**

### **1. File A**

- a) The auditor shall review File A on a monthly basis to determine that no case exists in the file with less than fifteen months left on the Statute of Limitations.
- b) The auditor shall bring any case with less than fifteen months left on the Statute of Limitations to the attention of the Group Chief.
- c) The auditor shall, with his Group Chief, develop a strategic plan for closing that case.

### **2. File B**

- a) For cases with less than fifteen months before the expiration of the Statute of Limitations, the auditor shall summarize the approved strategic plan for each case on the contact sheets and present it to the Group Chief for his or her signature.
- b) The auditor shall then file each case in a separate, special chronological filing system for at risk cases, File B.

### **3. Report on File B**

The auditor shall review the at-risk case file, File B, on a weekly basis. (e.g., every Monday, prepare a report of all the cases in the file and their statute expiration dates.) The report should consist of the name of the taxpayer, the case number, the tax year under desk audit, and the Statute of Limitations expiration date. The weekly report shall be given to the Group Chief.

### **4. Closing File B Audit Cases**

The auditor is expected to complete cases identified at the fifteen-month marker within two months. Thus, the auditor is expected to submit the case to the Group Chief for review by the beginning of the thirteenth month.

### **5. Special Cases**

Cases pending within the fifteenth-month period that are not expected to close with at least thirteen months left on the Statute of Limitation shall, with approval of the Group Chief, be deemed special cases. The auditor, with the Group Chief's and the Unit Manager's approval, shall request an extension of each Statute of Limitations from the taxpayer. The contact sheet will summarize the basis for requesting an extension of the Statute of Limitations and shall be submitted to the Group Chief and the Unit Manager for their signatures.

For a special case, the RPTT desk auditor shall request that the taxpayer extend the Statute of Limitations so that the auditor can complete the desk audit and transfer the case to the Quality Management Support Group at least twelve (12) months prior to the expiration of the Statute of Limitations.

Desk audit cases with signed waiver documents extending the Statute of Limitations continue to be designated special cases. All special cases shall be maintained in File B.

### **C. Group Chief's Role**

1. The Group Chief is responsible for reviewing the auditor's filing system on a quarterly basis. The Group Chief will check for accuracy and compliance with all the procedures.
2. For cases with less than fifteen months before the expiration of the Statute of Limitations, the Group Chief will approve the strategic plan for each case and sign the contact sheet with the written summary of the strategic plan.
3. The Group Chief shall review the weekly report submitted by the auditor to ensure that the cases are being closed in a timely manner. The Group Chief shall certify the accuracy of the auditor's File B reports to the Unit Manager each week for review.
4. If the Group Chief determines that a case requires an extension of the Statute of Limitations, the Group Chief will immediately arrange a meeting with the Unit Manager to obtain approval for the extension. A report listing all desk audit cases for which extension of the Statute of Limitations has been requested or received from the taxpayer shall be prepared and submitted to the Unit Manager.

### **D. Unit Manager's Role**

1. The Unit Manager shall review the auditor's report on File B and the report on all cases for which an extension of the Statute of Limitations was requested or received from the taxpayer.
2. The Unit Manager shall sign the contact sheet of the audit case after giving approval to extend the Statute of Limitations.
3. The Unit Manager shall certify to the Branch Chief and the Assistant Commissioner the accuracy of the reports filed by the RPTT Audit Staff.
4. All waiver documents extending the Statute of Limitations must be executed by the Unit Manager or the Branch Chief of the RPTT Unit.