

PP-2008-06
3/13/08

STATEMENT OF AUDIT PROCEDURE

LAST KNOWN ADDRESS

I. BACKGROUND

The Department of Finance plans to use a service of the United States Postal Service called Address Change Service (“**ACS**”) for batch-generated mailings prepared using the Department’s FAIRTAX computer system. For the 12 months following a taxpayer’s filing of a “Change of Address” form with the Postal Service, instead of returning undeliverable mail, The Postal Service will forward the mail to the new address and send the Department of Finance an electronic ACS notification record. For mail posted after 12 months from the filing of the “Change of Address” form, the Postal Service will return the mail to the Department of Finance with a manual address correction. No electronic ACS record will be created. For those areas of the country where ACS is still not available, the current manual address correction notification system will still be used by the Postal Service. Moreover, the manual notification system will also still apply to individually sent, non-batch, mail such as individually prepared Notices of Determination.

Electronically and manually received address change information will be used by the Department of Finance to update the “Current Address” file within the FAIRTAX system. All prior addresses entered in the FAIRTAX system will be retained by FAIRTAX and identified as inactive. The updated current address will have a FAIRTAX source code indicating its Postal Service origin.

II. SCOPE

The law requires that a statutory Notice of Determination asserting additional tax must be sent by the Department of Finance to the taxpayer’s last known address. This Statement of Audit Procedure will give guidance to the Department’s auditors, as well as to other employees of the Department of Finance who are responsible for preparing or mailing statutory Notices, on how to satisfy this requirement using both the Professional Audit Support System (PASS) and the FAIRTAX computer system.

III. PROCEDURE

An auditor prepares a draft statutory Notice of Determination using PASS. Generally, the primary address in PASS will be the same as the "Current Address" field in FAIRTAX and will be the mailing address for the Notice.

An auditor must review all Powers of Attorney, as well as all other correspondence, that have been submitted by a taxpayer to see if the taxpayer has designated a new mailing address for statutory notices. If a new address has been designated and that address is not shown as the Current Address in FAIRTAX the auditor should prepare a Taxpayer Address Maintenance Form and submit it so that the current address will be updated in FAIRTAX. The auditor should also change the Primary Address in PASS to reflect the taxpayer's newly designated mailing address.

If there is no newly designated address and the current FAIRTAX address does not match the address on the last filed tax return(s) for the tax type under audit, the auditor must review the FAIRTAX history Field to determine the origin of the current FAIRTAX address. If the current FAIRTAX address is the result of information submitted by the taxpayer then no further inquiry is required and such address should be used for sending statutory Notices. If the current FAIRTAX address originated from the Postal Service then the auditor must attempt to confirm in writing the correct mailing address with the taxpayer. If the auditor is unable to obtain written confirmation from the taxpayer of the new address the auditor will send the statutory notices to both the current FAIRTAX address and the address shown on the last filed return for the tax type under Audit.

The auditor should also contact the taxpayer to obtain written confirmation of the correct mailing address where the Auditor has informally learned of a new taxpayer address (e.g. taxpayer has sent a letter using a new or different letterhead from the address shown as the current FAIRTAX address) or where prior mail sent to the current FAIRTAX address has been returned by the Post Office.

Where a new mailing address cannot be confirmed statutory notices should be sent to:

- the current FAIRTAX address and
- the new address, if any, that the auditor has informally learned of and
- the address shown on the last filed return by the taxpayer for the tax type under audit. If there is no filed return for this tax type the auditor should see if a mailing address may be obtained from a returned filed by the taxpayer for a different tax type.

If the statutory notice is returned by the Postal Service as undeliverable mail the Department must verify that the address shown on the return and then query FAIRTAX to determine if an alternative address can be found.

The same procedures should be used as outlined above by all Department personnel for the mailing of all post-assessment Statutory Notices.