



DEPARTMENT OF FINANCE AUDIT DIVISION

98-2-AU

9/14/04 (Revised)

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. The Statement of Audit Procedure will give guidance to the Department’s desk and field 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 the FAIRTAX computer system.

III. PROCEDURE

A. Revenue Operations Personnel

Commercial Rent Tax desk audits are performed by personnel of the Revenue Operations Division. The issuance of statutory notices is done using the FAIRTAX computer system. In all cases, the auditor must confirm the current FAIRTAX address with the address shown on the last filed return for the tax. If there is a discrepancy, the auditor must review the FAIRTAX history field and determine the origin of the new address. If the current FAIRTAX address is the result of information submitted by the taxpayer, then the current FAIRTAX 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 of the new address, the auditor will send statutory notices to the address that appears on the last return filed by the taxpayer. This will be done by submitting a "Taxpayer Address Maintenance Form" to the Account Examinations Unit, Attention: Entity Processing Section at 59 Maiden Lane, 19th floor.

In the event that a notice is returned by the Postal Service as undelivered mail, the auditor must verify that the address used was the same as the address shown on the return and then query FAIRTAX to determine if an alternative address can be found.

B. Desk Audit

A desk auditor generally prepares a statutory Notice of Determination using the FAIRTAX computer system. The auditor would use the "Current Address" field of FAIRTAX as the mailing address.

An auditor must review all Powers of Attorney, as well as all other correspondence, that have been submitted by a taxpayer to see if a taxpayer has designated a new mailing address for statutory Notices. If such a new address has been designated by the taxpayer, e.g., the taxpayer has requested that notices be sent to a representative, then all statutory notices must be sent to this address. (See Part D, below.)

In some situations, in lieu of using the FAIRTAX address the auditor will need to contact the taxpayer and obtain written confirmation of a new address. If:

1. FAIRTAX shows a current address which has not been designated by the taxpayer, e.g., the current FAIRTAX address carries a Postal Service origination code; or
2. Auditor informally learns of a new address (e.g., taxpayer has started using a new letterhead); or
3. Mail sent to the current FAIRTAX address is returned, then written confirmation of a new address is needed from the taxpayer.

If the auditor cannot obtain a written confirmation from the taxpayer designating new mailing address, statutory notices should be sent to:

- ❖ The current FAIRTAX address (not necessary in situation 3); and
- ❖ The new address, if any, that the auditor may have informally learned of; and
- ❖ The address shown on the last filing by the taxpayer for that tax. If there is no previous filing by the taxpayer for this tax, the auditor should search Departmental records to see if a mailing address may be obtained from a return that taxpayer has filed for a different tax.

The Auditor should note that the last filing of a taxpayer may often be for a year later than those years under review.

C. Field Audit

A field auditor, in general, has obtained in writing a mailing address from a taxpayer during the course of an audit. Usually, this will correspond to the “Current Address” shown by FAIRTAX. Prior to sending out a statutory Notice of Determination, however, a field auditor must search FAIRTAX to verify that this is the last address known to the Department of Finance. If FAIRTAX confirms that this is the last known address, then the auditor should use it in sending out statutory notices.

An auditor must review all Powers of Attorney, as well as all other correspondence, that have been submitted by a taxpayer to see if a taxpayer has been designated a new mailing address for statutory Notices. If such a new address has been designated by the taxpayer, e.g., the taxpayer has requested that notices be sent to a representative, than all statutory Notices must be sent to this address. (See Part D, below.)

In some situations, in lieu of using the FAIRTAX address, the auditor will need to contact the taxpayer and obtain written confirmation of a new address. If:

1. FAIRTAX shows a current address, which has not been designated by the taxpayer, e.g., the current FAIRTAX address carries a Postal Service origination code; or
2. Auditor informally learns of a new address (e.g. taxpayer has started using a new letterhead); or
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If the auditor cannot obtain a written confirmation from the taxpayer designating a new mailing address, statutory notices should be sent to

- ❖ The current FAIRTAX address (not necessary in situation 3); and
- ❖ The new address, if any, that the auditor may have informally learned of; and
- ❖ The address shown on the last filing by the taxpayer for that tax. If there is no previous filing by the taxpayer for this tax, the auditor should search Departmental records to see if a mailing address may be obtained from a return that taxpayer has filed for a different tax.

The auditor should note that the last filing of a taxpayer may often be for a year later than those years under review.

D. FAIRTAX

If mail is returned by the Postal Service with a forwarding address not shown in FAIRTAX or the taxpayer has provided the auditor with a new address, the auditor is to prepare a “Taxpayer Address Maintenance Form” with the new address and send this form to the Tax Operations Division so that the FAIRTAX address information can be updated. The form should be sent to the Account Examinations Unit, Attention: Entity Processing Section at 59 Maiden Lane, 19th floor.