



A Dash of SALT

The Statute of Limitations for Audit Assessments from the ADOR and Arizona Tax Refund Claims, and How to File an Arizona Tax Refund Claim

This month's state and local tax (SALT) column explains how long the Arizona Department of Revenue (Department) has to issue audit assessments, how long taxpayers have to file Arizona tax refund claims, and how to request an Arizona tax refund claim.

Arizona Has an Extra Year to Issue Standard Audit Assessments

The IRS generally has three years from the time that a tax return was due to issue an audit assessment. In situations where the income on a return was understated by 25% or more, the IRS has six years from the time that the tax return was due to issue an audit assessment. In cases involving fraud, there is no limitation on how long the IRS has to issue an assessment.

On the other hand, the Arizona Department of Revenue has four years from the time that a tax return was due or filed, whichever period expires later, to issue a normal audit assessment. Like the IRS, in situations where the income on a return was understated by 25% or more, the Department has six years from the time that the tax return was due to issue an audit assessment and, in cases involving fraud, there is no limitation on how long the Department has to issue an assessment.

In practical terms, that means taxpayers normally are exposed to potential Arizona audit assessments for one more year than they normally are exposed to federal audit assessments.

But, Taxpayers Also Have an Extra Year to File Arizona Tax Refund Claims

Because Arizona's statute of limitations for refund claims is tied to Arizona's statute of limitations for audit

assessments, taxpayers have four years from the time that a tax return was due or filed, whichever period expires later, to file a refund claim.

How to File An Arizona Tax Refund Claim

Tax refund claims for taxes collected by the Department must:

- Be filed in writing within four years from the time that the tax return was due or filed, whichever period expires later;
- Identify the taxpayer by name, address, and tax ID number;
- Specify the amount of refund requested along with the tax period involved; and
- State the specific grounds for the claim.

For income tax refund claims, the easiest way to file a claim generally is to file an amended return using a form prepared by the Department.

Practice Tip! — An Easier Way to File Sales or Use Tax Refund Claims Involving Multiple Periods

Because transaction privilege (sales) tax returns generally are due on a monthly basis, taxpayers who want to request refunds for excess sales or use taxes paid for multiple periods often are better off not preparing and filing as many as 48 amended returns.

Rather than file amended returns for multiple periods, taxpayers who want to request refunds for excess sales or use



taxes paid for multiple periods may prepare a spreadsheet showing, by month, how much sales and/or use tax they paid, how much sales and/or use tax they should have paid, and how much should be refunded. Then the taxpayer should submit the spreadsheet to the Department (or, if the tax was collected by an Arizona municipality rather than by the Department, to the municipality's tax department) along with a cover letter including the rest of the required information identified above.

When CPAs submit sales and/or use tax refund claims for their clients using a spreadsheet and cover letter rather than by filing amended returns, they need to include the appropriate power of attorney form. **AZ CPA**

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