

# DENALI BOROUGH GUIDE TO BOROUGH TAX AUDITS



Denali Borough Code 3.25.120 Overnight Accommodations tax audits.

Denali Borough Code 3.26.110 Alcohol and Marijuana tax audits.

## WHAT IS A BOROUGH TAX AUDIT?

The Denali Borough conducts tax audits to confirm the accuracy and correctness of borough records as compared to business operator records and to ensure operator compliance with Denali Borough tax codes. The audit will also confirm that the correct tax liability has been assessed based on gross sales and will identify any discrepancies in tax liability and tax remittance.

## HOW TO BE TAX AUDIT READY

- Stay up to date and be compliant with Denali Borough tax code (available at [www.denaliborough.org/tax](http://www.denaliborough.org/tax)).**
- Retain all tax related documents for three years.**
- Maintain comprehensive accounting practices for recording taxable sales, tax exempt sales, and tax reporting.**

## TAX AUDIT FREQUENTLY ASKED QUESTIONS

### ***How are businesses selected for audit?***

Businesses will be selected at random from two tax-type pools, one pool for overnight accommodation tax operators and a second pool for alcohol and marijuana tax operators. The borough may also select a business to audit for compliance reasons, such as non-compliance with borough tax code requirements.

### ***What happens if I'm selected for an audit?***

Selected businesses will receive notice from the borough of their pending audit. This notice will contain the name of the auditing firm, the auditing firm contact information, and other pertinent information related to tax auditing.

### ***When does the audit happen?***

Audits will typically occur in late September, however a special audit for compliance reasons can occur at any time.

## WHAT IS THE TAX AUDIT PROCESS?

### 1 Notice of business operator selection for audit.

- The borough will select the business operator for audit and will notify the selected business operator by letter and email by August 1st.
- The borough will also notify the licensed auditing firm of the business operator selected to audit.

### 2 Initial contact with the auditing firm.

- A licensed auditor will contact the selected business operator by written notification with the following information after August 31st:
  - The audit period (three prior years to current tax quarter period).
  - How and when the audit will be conducted (remote, in-person, or a combination of the two). Any conflicts with the audit date and time should be coordinated with the Denali Borough office.
  - The documents requested to conduct the audit, such as books, files, accounting records (sales invoices and receipts, register tapes, sales journals, general ledgers, and bank statements), federal tax returns, and copies of filed borough tax returns.

### 3 Conducting the audit.

- During the scheduled audit period, the auditor will work with the business operator to:
  - Explain the purpose of the audit and the audit process.
  - Gain an understanding of the business operator's business through questions related to the business operations based on Denali Borough tax code.
- The auditor will review documentation provided by the business operator and will compare those documents to filed tax return documents provided by the borough.

**WHAT IS THE TAX AUDIT PROCESS? CONTINUED****4 Audit completion and follow up.**

- The auditor will provide a final audit report to both the business operator and to the borough. The final audit report will indicate either:
  - No discrepancies or changes identified - The auditor has found no discrepancies in the business operator's records and borough records.
  - Incorrect tax return filing - The auditor has identified discrepancies between the business records and the tax return filed with the borough. An estimation of the tax discrepancy is provided in the audit report and may include any penalties, interest, fees, and other costs associated with the under reporting of taxes. If an over-payment of taxes has been identified, a credit to the account balance or a refund to the business operator will be processed by the borough.
  - Insufficient or incomplete records - The auditor has found the business operator did not maintain sufficient records to support the tax amounts filed with the borough.
- If a business operator disagrees with the final audit report, the business operator may appeal the report as per Denali Borough Code 5.20.120 Appeals - Board of Review.

**Implementation of audit recommended actions.**

- If the final audit report contained any recommendations or best practices, the business operator should consider implementing those recommendations in their tax-related business operations.

To review tax information, view the tax FAQ, access tax registration and return online forms:

Visit: [www.denaliborough.org/tax](http://www.denaliborough.org/tax)

Email: [tax@denaliborough.org](mailto:tax@denaliborough.org)

Sign up to receive Tax Reminders at [www.denaliborough.org/getnotified](http://www.denaliborough.org/getnotified).

For full tax information and requirements, see Denali Borough Code 3.25, 3.26, & 3.30.