



TAX EXECUTIVES INSTITUTE, INC.

State and Local Tax Policy Statement State and Local-Imposed Audit Fees

Tax Executives Institute, Inc. (“TEI”) opposes the imposition of fees on taxpayers to offset state or local tax jurisdictions’ costs to conduct audit and prosecute tax appeals. The adoption of such “user fees” to finance tax audits and appeals is wholly inappropriate to our voluntary self-assessment tax system.

Jurisdictions imposing audit fees generally do so in an arbitrary and discriminatory manner. For example, Nevada recently enacted legislation requiring taxpayers to pay the State a daily travelling allowance and reimburse the State’s expenses to inspect books and records maintained outside of Nevada when under examination for Nevada’s new business gross receipts tax. Taxpayers maintaining their books and records in Nevada are not subject to this travelling allowance and expense reimbursement. In addition to being arbitrary, because there is no mechanism to challenge the number of days subject to the travelling allowance or the expenses incurred during the examination, the provision discriminates against out-of-state taxpayers not maintaining their books and records in Nevada.

Ensuring compliance with the tax laws is a general government function. The cost of that function should be borne by all taxpayers. Although “user fees” may be appropriate to pay for targeted government services under some circumstances (for example, state park entrance fees or toll roads), tax audits are not conducted for the benefit of the audited taxpayers. Taxpayers should not be required to reimburse jurisdictions for the cost of auditing their own returns.

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