Sales Tax Refunds Discovered During a Sales Tax Audit

Business Owners Discover Sales Tax Refunds During Sales Tax Audit

Many business owners dread a state sales tax audit. Collecting receipts, staying organized, having an auditor go through sales records; all of this can be both a daunting and overwhelming undertaking. However, some surprisingly good things can come of this audit. One benefit to the taxpayer is that often during the sales tax audit, the auditor or the taxpayer discovers that the taxpayer may have overpaid and is entitled to a sales tax refund. However, the taxpayer should know about the intricies of seeking a sales tax refund.

The auditor may not include the refund as part of the audit. The auditor may insist that the taxpayer file a separate claim for refund. The statute of limitations for refunds is three years from the date of payment of the tax. Thus, the taxpayer should take steps to file a “Sales Tax Claim for Refund” upon discovering the amount of the refund and the basis for the refund.

If the right to the refund is discovered during the audit, the auditor should reduce any assessed tax liaibility by the amount due to the taxpayer. If, however, the auditor refuses to offset the proposed tax liabilities that come with receiving a refund, be sure to get a fully-executed “Agreement Extending Period of Limitation for Filing Claim for Refund and Assessment of Sales & Use Taxes." This form should be signed by both the auditor and the taxpayer. This extension of the statute of limitations ensures against the possiblity that a refund claim is filed late. Specifically, the agreement allows the taxpayer to seek a refund of sales taxes for the period covered by the audit, even though the three-year statute of limitations (provided in O.C.G.A. sec. 48-2-35) may have otherwise expired.