



LOUISIANA UNIFORM LOCAL SALES TAX BOARD

**Policy Advice No. 20-003
SUPPLEMENT
APPORTIONMENT EXAMPLES**

The following chart shows how audit costs could be apportioned to periods where no return was filed or a grossly incorrect or false or fraudulent return was filed. A 12 month audit period and total audit costs of \$9,000 are assumed. Three (3) methods are demonstrated below:

- 1) **Cost per Number of Entries** – This method is appropriate if the audit includes a detailed review of a large number of transactions. Audit costs are apportioned based on the number of entries (invoices, purchase orders, transfer records, etc.) each month to the total number of entries in the audit. It is assumed the time and cost of recording each entry is approximately equal. Filing periods with more entries require more time to complete the work.
- 2) **Cost per Tax Due** – This method is appropriate if the audit is based upon a projection. Audit costs are apportioned by the tax due per month to total tax due for the audit. It is assumed the time and cost of recording each dollar of additional tax due is the approximately equal. Filing periods with a larger percentage of the projected tax due require more time to complete.
- 3) **Cost per Monthly Average (or Filing Period)** – This method is appropriate when the audit consists of a small number of procedures. Audit costs are apportioned equally by month or filing period. It is assumed the time and cost of auditing the taxpayer’s records is approximately the same for each month or filing period.

Filing Period	Tax Reported on Return	Additional Tax Due	Total Tax Due	No. of Entries	Cost per No. of Entries	Audit Penalty Assessed	Cost per Add'l Tax Due	Audit Penalty Assessed	Cost per Monthly Average	Audit Penalty Assessed	Note
Jan-20	25,000.00	27,000.00	52,000.00	61	2,553.49	2,553.49	1,653.06	1,653.06	750.00	750.00	1
Feb-20	2,000.00	3,000.00	5,000.00	13	544.19		183.67		750.00		
Mar-20	14,000.00	8,000.00	22,000.00	17	711.63		489.80		750.00		
Apr-20	180,000.00	19,000.00	199,000.00	22	920.93		1,163.27		750.00		2
May-20	90,000.00	12,000.00	102,000.00	18	753.49	753.49	734.69	734.69	750.00	750.00	
Jun-20	16,000.00	7,000.00	23,000.00	23	962.79		428.57		750.00		
Jul-20	22,000.00	34,000.00	56,000.00	21	879.07	879.07	2,081.63	2,081.63	750.00	750.00	
Aug-20	500.00	9,000.00	9,500.00	6	251.16	251.16	551.02	551.02	750.00	750.00	3
Sep-20	Not Filed	2,000.00	2,000.00	8	334.88	334.88	122.45	122.45	750.00	750.00	4
Oct-20	88,000.00	16,000.00	104,000.00	14	586.05	586.05	979.59	979.59	750.00	750.00	
Nov-20	12,000.00	4,000.00	16,000.00	3	125.58		244.90		750.00		
Dec-20	18,000.00	6,000.00	24,000.00	9	376.74		367.35		750.00		
TOTALS	\$467,500.00	\$147,000.00	\$614,500.00	215	\$9,000.00	\$5,358.14	\$9,000.00	\$6,122.44	\$9,000.00	\$4,500.00	

Notes:

- 1) The additional tax due for January 2020 is \$27,000, which is greater than 10 percent of the tax due and greater than \$10,000. **Audit costs are assessed for filing of a grossly incorrect return.**
- 2) The additional tax due for April 2020 is \$19,000. Although greater than \$10,000, it is less than 10 percent (\$19,000) of the total tax due [\$180,000 (reported tax) + \$19,000 (additional tax) = \$199,000]. Therefore, **audit costs are not assessed for this period.**
- 3) For August 2020, the taxpayer filed a return showing \$500 in tax due. Although taxes were underreported by \$9,000, this is less than \$10,000 so an underreporting penalty is not permitted. However, assume information was discovered to show the taxpayer deliberately filed an incorrect return to avoid payment of the correct tax due. **Audit costs are assessed for filing a false or fraudulent report.**
- 4) The audited tax due for September 2020 is \$2,000. Although this is less than \$10,000, no return was filed. **Audit costs are assessed for failure to file a return.**