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State + Local Tax Insights: Fall Issue 2018 - Top Ten Best Audit Practices

Benjamin Franklin famously said that nothing in this world is certain except death and taxes. And the certainty of taxes leads to the inevitability of audits. Whether you are preparing for your first State tax audit or your thousandth, keeping in mind the following ten best practices will help ensure that the audit goes as smoothly as possible.

NO. 1: IDENTIFY POTENTIAL ISSUES –

The best offense is a good defense – true in both sports and tax. When you are preparing the tax returns, consider any issues that an auditor may focus on. Some items that might attract an auditor's attention include instant unity for combined reporting states, characterization of income as business or nonbusiness income, sourcing of services for apportionment purposes and, unsurprisingly, any item that has a large tax effect. By preserving the necessary records to support your company's filing positions in the beginning, you will decrease your work later.

Please see full Issue below for more information.

Morrison & Foerster LLP

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