



COMMONWEALTH of VIRGINIA

Department of Taxation

Fairfax District Office
11166 Main Street, Suite 300
Fairfax Virginia 22030

July 9, 2001

RE: Sales/Use Audit (9411-9710)

Dear Mr.

Please find the enclosed Second Revision to the

Virginia audit.

It is based primarily on customers that had gone out of business during the sample period for which Resale Certificates were not obtained. These customers were registered for Sales/Use Taxes with the State of Virginia during the sample period.

The allowance for an exemption from the tax under these circumstances is the Exception not the Rule.

The Virginia Sales and Use Tax Regulations, 23 VAC 10-210-280 states in part... "All sales, leases and rentals of tangible personal property are subject to the tax until the contrary is established. The burden of proving that the tax does not apply rests with the dealer unless he takes, in good faith from the purchaser or lessee, a certificate of exemption indicating that the property is exempt under the law."

Take time to review the enclosed report. A refund in the amount of \$15,527.24 plus interest will be forthcoming.

If you and your client have any questions please feel free to contact me on 703-359-6710 ext. 414.

Sincerely,


Kay Springer
Auditor

REPORT OF
FIELD AUDIT
OF: 4225

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF TAXATION
OFFICE OF COMPTROLLER
P.O. BOX 1000 RICHMOND, VA 23202

ST CO UT
[] [] []

Name of Dealer :
Trading As :
Business Address :
Mailing Address : SAME AS PHYSICAL , 0

Compliance Code: _____

Assessment Date: _____

Registration Number	FEIN#	Date Audit Began	Date Completed
		11/13/97	3 / 8 / 0

LIABILITY (OR CREDIT) DISCLOSED BY AUDIT

Period of Audit	Measure of Tax	Tax	Penalty*	Interest Thru 07/31/1999	Total
State					
Tax: 9411-9710	613,568.06	21,474.90	717.42	6,938.29	29,130.61
Local					
Tax: 9411-9710	613,568.06	6,135.68	204.96	1,982.36	8,323.00
Total:	613,568.06	27,610.58	922.38	8,920.65	37,453.61
Less:		0.00	0.00	0.00	0.00
Balance:		27,610.58	922.38	8,920.65	37,453.61

* PENALTY APPLIES TO PURCHASE MEASURE ONLY;

ANALYSIS OF MEASURE OF TAX BY CLASS OF TRANSACTION

	State	Local
SALES	545,244.77	545,244.77
PURCHASES	68,323.29	68,323.29

Auditor:	Date:	Approving Supervisor:	Date:

COMPLIANCE RATIOS

Name:
R/N :
Audit Generation: 3

Commonwealth of Virginia
Department of Taxation
Office Of Compliance

Sales Tax Compliance Ratio

Gross Sales 114,586,927.21

Less:

Exempt Sales 86,711,472.92

Total Deductions 80,087.80

Other Adjustments 0.00

Taxable Sales 27,795,366.49

Audit Deficiency 545,244.77

Formula:

$$\frac{\text{Taxable Sales Reported}}{\text{Taxable Sales} + \text{Deficiency}} = \text{Ratio}$$

$$\frac{27,795,366.49}{28,340,611.26} = 0.9808$$

Sales Tax Compliance Level = 98%

RECOMMENDATION: Do NOT Apply Penalty to Sales Portion of Audit.

Use Tax Compliance Ratio

Formula:

$$\frac{\text{Use Measure Reported}}{\text{Use Meas. Rep.} + \text{Deficiency}} = \text{Ratio}$$

Use Measure Reported 69,137.04

Audit Deficiency 68,323.29

$$\frac{69,137.04}{137,460.33} = 0.5030$$

Use Tax Compliance Level = 50%

RECOMMENDATION: Apply Penalty to Use Tax Portion of Audit.



COMMONWEALTH of VIRGINIA

Department of Taxation

Virginia Department of Taxation
Fairfax District Office
11166 Main Street Suite 300
Fairfax Virginia 22030-5017

February 8, 2000

Re: Revised Audit

Dear Mr. Basik:

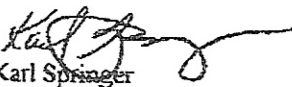
Please find the enclosed Revised Audit calculation for
1994 through October 31, 1997.

for the audit period November 1,

If you have any questions please feel free to contact me on 703-359-6710 Ext 414.

A copy of this audit report together with a revised calculation with interest updated to the current date will
be mailed to your client in the near future.

Sincerely


Karl Springer
Auditor

Form ST-48

~~REVISED~~
 COMMONWEALTH OF VIRGINIA
 DEPARTMENT OF TAXATION
 OFFICE OF COMPLIANCE
 P.O. BOX 1880 RICHMOND, VA 23282

rev (4/94)

REPORT OF
 FIELD AUDIT
 OP#: 4225

ST CU DT
 [] [] [X]

Name of Dealer :
 Trading As :
 Business Address :
 Mailing Address : SAME AS PHYSICAL , 0

Compliance Code: _____

Assessment Date: _____

Registration Number	FEIN#	Date Audit Began	Date Completed
		11/13/97	4 / 23 / 99

LIABILITY (OR CREDIT) DISCLOSED BY AUDIT

Period of Audit	Measure of Tax	Tax	Penalty*	Interest Thru 07/31/1999	Total
State Tax: 9411-9710	874,210.20	30,597.33	713.74	9,876.54	41,187.61
Local Tax: 9411-9710	874,210.20	8,742.08	203.91	2,821.05	11,767.84
Total:	874,210.20	39,339.41	917.55	12,698.39	52,955.45
Less:		0.00	0.00	0.00	0.00
Balance:		39,339.41	917.55	12,698.39	52,955.45

* PENALTY APPLIES TO PURCHASE MEASURE ONLY;

ANALYSIS OF MEASURE OF TAX BY CLASS OF TRANSACTION

	State	Local
SALES	806,234.30	806,234.30
PURCHASES	67,975.90	67,975.90

Auditor: _____ Date: _____ Approving Supervisor: _____ Date: _____

**Tax & Business
Services**

American Express
Tax and Business Services Inc.
Suite 400
29 West Susquehanna Avenue
Baltimore, MD 21204
Bus: 410.296.4600
Fax: 410.628.6084

April 13, 2000

Tax Commissioner
Department of Taxation
P.O. Box 2475
Richmond, Virginia 23218-2475

Attention: Don Miller

Dear Mr. Miller:

This letter is to note an appeal of a sales and use tax assessment issued to
A copy of the revised audit report issued to
is enclosed. The revised audit is in the total amount of \$56,319.37.

This appeal concerns the methodology of projecting the sales tax assessment on Schedule S1 without any consideration given to credit invoices in the numeration. More specifically, the fraction used for the error factor has a denominator that equals the total sales for the sample period, which includes both the sales and the credit invoices. However the numerator includes only sales invoices, but not credit invoices. An error factor should be used to compute an error rate in which sales tax was not properly collected, but this is not properly reflected in the current assessment. The error factor is improperly calculated and should be calculated on the net sales figures (sales invoices less credit invoices) for the sample period. In short, if the denominator includes both the sales and credit invoices, the numerator should include the same. Therefore, we are requesting that the assessment be revised to include the credit invoices in the numerator as well as the denominator.

Please contact the undersigned regarding the appropriate next step. If this matter cannot be resolved through correspondence, please schedule a hearing to discuss this matter.

Thank you for attention to this matter.

Very truly yours,

Fairfax Regional Office
 11166 Main Street, Suite 300
 Fairfax, Virginia, 22030-5017
 (703) 359-6710 ext. 414
 Fax (703) 359-6716

March 17, 2000

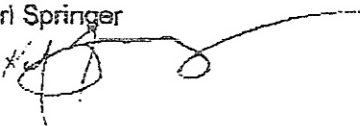
Account #: 000083882-9

Enclosed is the revised audit report. Below is listed the calculations for the adjustments to the original bill. These calculations are through March 17, 2000. Payment should be remitted on this balance due. Interest will continue to accrue on any unpaid balance.

	Tax		Penalty		Interest		Total
	State	Local	State	Local	State	Local	
Revised Audit (to original audit date)	30,609.53	8,745.52	717.42	204.96	9,880.45	2,822.97	52,980.85
Plus Interest					2,596.63	741.89	3,338.52
Revised Audit through March 17, 2000	30,609.53	8,745.52	717.42	204.96	12,477.08	3,564.86	56,319.37
Less Current Bill							
Original Audit	287,786.40	82,224.67	66,335.92	24,667.40	92,693.29	26,483.78	600,191.46
Additional Interest or Assessments					29,414.05	8,404.01	37,818.06
Abatements made on Bill							0.00
Amount Paid By Taxpayer							0.00
Current Bill	287,786.40	82,224.67	66,335.92	24,667.40	122,107.34	34,887.79	638,009.52
Revised Audit Less Payments	30,609.53	8,745.52	717.42	204.96	12,477.08	3,564.86	56,319.37
Amount bill (reduced) or increased	(257,176.87)	(73,479.15)	(85,618.50)	(24,462.44)	(109,630.26)	(31,322.93)	(581,690.15)

If you have any questions, please contact me at (703) 359-6710 ext 414.

Karl Springer





COMMONWEALTH of VIRGINIA

Department of Taxation

*Fairfax Regional Office
Suite 300, 11166 Main Street
Fairfax, Virginia 22030
(703) 359-6710*

Aug 02, 1999

Dear Ms.

The report for the recently completed use tax audit on _____ is enclosed. Two bill payment coupons are attached to the first page of the report; keep one copy for your records and return the other copy with your check to ensure proper credit to your account.

Please note that the tax due must be paid within 30 days of the assessment date to avoid additional interest and/or penalty. Your check, payable to "Virginia Department of Taxation," should be mailed to the address indicated above. A return envelope is enclosed for your convenience.

Thank you for your cooperation during the audit. The auditor who conducted the audit would be pleased to assist you if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Reese D. Brackett, Jr.".

Reese D. Brackett, Jr.
State Tax Audit Supervisor

Enclosures:

- (1) audit report
- (2) tax payment coupons
- (3) return envelope

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF TAXATION
OFFICE OF COMPLIANCE
P.O. BOX 1880 RICHMOND, VA 23282

rev (4/94)

TIP

REPORT OF
FIELD AUDIT
OP#: 4225

ST CU UT
[] [] [XX]

Name of Dealer :
Trading As :
Business Address :
Mailing Address : SAME AS PHYSICAL , 0

Compliance Code: 124F

Assessment Date: 7/27/99

Bill # 42814

Registration Number FEIN# Date Audit Began Date Completed
11/13/97 4 / 23 / 99

LIABILITY (OR CREDIT) DISCLOSED BY AUDIT

Period of Audit	Measure of Tax	Tax	Penalty*	Interest Thru 07/31/1999	Total
State Tax: 9411-9710	8,222,468.27	287,786.40	86,335.92	92,693.29	466,815.61
Local Tax: 9411-9710	8,222,468.27	82,224.67	24,667.40	26,483.78	133,375.85
Total:	8,222,468.27	370,011.07	111,003.32	119,177.07	600,191.46
Less:		0.00	0.00	0.00	0.00
Balance:		370,011.07	111,003.32	119,177.07	600,191.46

* PENALTY APPLIES TO SALES AND USE MEASURES;

ANALYSIS OF MEASURE OF TAX BY CLASS OF TRANSACTION

	State	Local
SALES	7,970,036.19	7,970,036.19
PURCHASES	252,432.08	252,432.08

Auditor: *Karl Springer* Date: 7/29/99 Approving Supervisor: *Reese D. Brackett, Jr.* Date: 8/2/99

For REESE D. BRACKETT, JR.
AUDIT SUPERVISOR

COMPLIANCE RATIOS

Name: Commonwealth of Virginia
 R/N : Department of Taxation
 Audit Generation: 2 Office Of Compliance
 =====

Sales Tax Compliance Ratio

Gross Sales 114,586,927.21

Less:

Exempt Sales 86,711,472.92

Total Deductions 80,087.80

Other Adjustments 0.00

Formula:

Taxable Sales Reported

----- = Ratio
 Taxable Sales + Deficiency

Taxable Sales 27,795,366.49

27,795,366.49
 ----- = 0.7772

Audit Deficiency 7,970,036.19

35,765,402.68

Sales Tax Compliance Level = 78%

RECOMMENDATION: Apply Penalty to Sales Portion of Audit.

Use Tax Compliance Ratio

Formula:

Use Measure Reported

----- = Ratio
 Use Meas. Rep.+ Deficiency

Use Measure Reported 69,137.04

Audit Deficiency 252,432.08

69,137.04
 ----- = 0.2150
 321,569.12

Use Tax Compliance Level = 21%

RECOMMENDATION: Apply Penalty to Use Tax Portion of Audit.