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House Bill 4291 (Substitute H-2 as passed by the House)
Sponsor: Representative Jeff Farrington
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 1-29-14

CONTENT

The bill would amend the revenue Act to do the following:

- **Require a taxpayer who had been audited, or whose records had been examined, to be given a complete copy of the audit work papers and report of findings.**
- **Establish auditing standards for the Department of Treasury.**
- **Require the Department to promulgate rules on audit standards.**

The Act allows the Department to obtain information for the assessment of a tax, when a taxpayer fails or refuses to make a return or payment as required, or when the Department believes that a return or payment does not supply enough information for an accurate determination of the amount due. Through its agents, the Department may examine the books, records, and papers, and audit the accounts of a person or any other records pertaining to the tax.

Under the bill, a taxpayer who had been audited by the Department or its agent, or a taxpayer whose books, records, and papers had been examined by the Department, would have to be given a complete copy in printed or electronic format of the complete audit work papers and the audit report of findings, upon request.

The bill would require any audit performed by the Department or its agents to be performed according to auditing standards that would have to include, at least, confidentiality, technical training, independence, due professional care, planning supervision, understanding of the entity audited, including internal control and an assessment of risk, audit evidence and documentation, sampling and sampling projections, and elements of the audit report of findings. Within one year after the bill was enacted, the Department would have to promulgate administrative rules on audit standards.

MCL 205.21

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

By requiring the Department of Treasury to provide copies of audit work papers and findings and promulgate rules on audit standards, the bill would increase the cost of the Department by a minimal amount. The bill would not make an appropriation. Any additional costs would be absorbed within the Department's existing resources.

Fiscal Analyst: Elizabeth Pratt

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.