

# Reportable Adjustments

## Amendments to Federal Income Tax Returns Create Administrative Burdens for State Taxpayers

Internal Revenue Service adjustments or taxpayer amendments to federal income tax returns can trigger a myriad of state administrative burdens for multistate taxpayers. In many states, it is unclear what types of actions constitute a federal adjustment that must be reported to the state's tax agency. This is especially so when the triggering event occurs after the state's normal statute of limitations has expired. Another gray area in many states is what the jurisdiction deems to be adequate notice for a reportable adjustment made at the federal level.

The federal adjustment process begins with the Revenue Agent's Report (RAR). An RAR is completed by a revenue agent after the Internal Revenue Service completes its field work. It is a detailed written report of the agent's findings during the examination and includes factual and legal support for any proposed adjustments. A taxpayer that receives an RAR with which it disagrees triggers a 30-day letter from the IRS, which sets forth the proposed adjustment and explains the taxpayer's rights. Upon receipt of the 30-day letter, a taxpayer generally has several options, including:

- concede the issues and accept the adjustments as proposed in the RAR (signing a Form 870 and paying any tax due); or
- sign the Form 870, pay the tax, and then sue for a refund in the U.S. District Court (taxpayers may also sue in the U.S. Court of Federal Claims).

From a state tax compliance standpoint, there are several traps for the unwary. Once a taxpayer determines if there has been a "final determination" at the federal level, it must comply with each state's notification requirements. These requirements vary by state and it is often unclear what is deemed to be adequate notice of a reportable adjustment.

### IRS Audit Reportable Adjustments After State's Normal SOL Expires

It is also important for taxpayers to understand that an RAR may extend an otherwise closed statute of limitations for state tax purposes. Some states extend their statute of limitations for amended returns as a result of federal adjustments. As a result, taxpayers should be aware that, in certain states, opportunities and/or compliance issues could arise on returns that would otherwise be closed.

Twenty-four states said signing IRS Form 870 for one audit, when other issues are still under review, constitutes a reportable adjustment after the state's normal statute of limitations has expired. More states—26—said they would deem a partial settlement of federal tax issues reported and paid to the IRS to be a reportable adjustment under this scenario. Similarly, Form 4549-A would be deemed a reportable adjustment in 27 states and Form 886-A would be considered a reportable adjustment in 19 states.

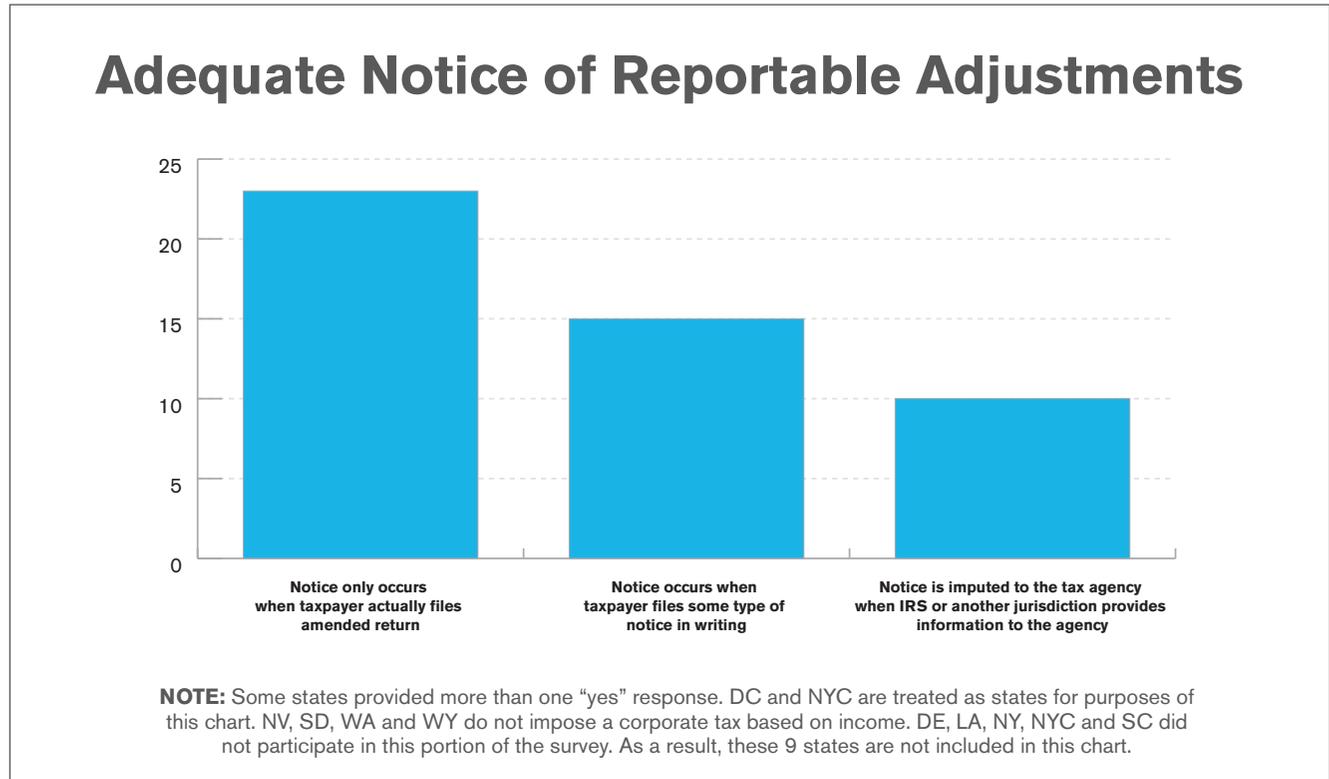
Nearly every jurisdiction agreed that final federal tax changes would constitute a reportable adjustment under these circumstances. Only three jurisdictions—the District of Columbia, Kentucky and Maryland—said their answers to the questions on this issue would change if the case involves a refund of federal taxable income.

**For more information, see:**  
Corporate Income Tax Navigator at 10.5.1.

## Other Reportable Adjustments After State’s Normal SOL Expires

Another question for state tax compliance purposes involves other types of adjustments such as those made by other states, local jurisdictions or foreign governments.

Most states agreed that changes by other types of tax agencies, such as other states, municipalities or foreign governments, do not constitute a reportable adjustment after the state’s normal statute of limitations has expired.



Source: Bloomberg BNA 2016 Survey of State Tax Departments

## Providing Notice of Reportable Adjustments

Twenty-three states agreed that for purposes of starting their jurisdiction’s statute of limitations for issuing an assessment, adequate notice of a reportable adjustment is only made when the taxpayer actually files an amended return. Fewer jurisdictions—15—said a taxpayer’s written notice would satisfy this requirement. Only 10 states said that adequate notice of a reportable adjustment is imputed to them from the date the IRS or another jurisdiction provides information to their tax agency. Among these jurisdictions was Alabama, which noted that receiving such notice “does not relieve the taxpayer’s responsibility to file an amended return.”

## Reporting Federal Changes: IRS Audit Reportable Adjustments After Your State's Normal Statute of Limitations Expires

State <sup>1</sup>	Signing IRS Form 870 for one audit when other issues still under review <sup>2</sup>	Partial settlement of federal tax issues reported/paid to IRS <sup>3</sup>	Form 4549-A <sup>4</sup>	Form 886-A <sup>5</sup>	Final federal tax changes <sup>6</sup>	Answer changes if refund of federal taxable income <sup>7</sup>	Written guidance re: final federal tax change <sup>8</sup>
Alabama	Yes	Yes	No	No	Yes	No	No
Alaska	Yes	Yes	Yes	No	Yes	No	Yes <sup>9</sup>
Arizona	No	No	No	No	Yes	No	Yes <sup>10</sup>
Arkansas	Yes	No	Yes	Yes	Yes	No	No
California	Yes <sup>11</sup>	Yes <sup>12</sup>	Yes <sup>13</sup>	Yes <sup>14</sup>	Yes <sup>15</sup>	Depends <sup>16</sup>	Yes <sup>17</sup>
Colorado	Yes	Yes	Yes	Yes	Yes	No Response	No
Connecticut	No Response <sup>18</sup>	No Response <sup>19</sup>	No Response <sup>20</sup>	No Response <sup>21</sup>	No Response <sup>22</sup>	No	No

<sup>1</sup> The questions in this chart are all appearing for the first time in 2016. As a result, none of the responses are in bold.

Depends indicates that the respondent's answer would depend on the facts and circumstances.

NV, SD, WA and WY do not impose a corporate tax based on income.

DE, LA and SC did not participate in this portion of the survey.

NY said that in 2014, it enacted the most comprehensive changes to its corporate tax structure in nearly 75 years. Because the state is in the process of drafting and finalizing regulations relating to these changes, it said it would be premature for it to opine on the income tax portions of the survey at this time.

NYC said that in 2015, it enacted the most comprehensive changes to its corporate tax structure in nearly 40 years. Because the city is in the process of drafting rules relating to these changes, it said it would be premature for it to respond to the survey at this time.

<sup>2</sup> Please indicate whether or not signing IRS Form 870 (Waiver of Restrictions on Assessment & Collection of Deficiency in Tax and Acceptance of Over Assessment) for only one audit when other audit issues are still under review by the IRS constitutes a reportable adjustment after your state's normal statute of limitations has expired.

<sup>3</sup> Please indicate whether or not any partial settlement of federal tax issues as they are reported/paid to the IRS constitutes a reportable adjustment after your state's normal statute of limitations has expired.

<sup>4</sup> Please indicate whether or not Form 4549-A, Income Tax Discrepancy Report, constitutes a reportable adjustment after your state's normal statute of limitations has expired.

<sup>5</sup> Please indicate whether or not Form 886-A, Explanation of Adjustments, constitutes a reportable adjustment after your state's normal statute of limitations has expired.

<sup>6</sup> Please indicate whether or not final federal tax changes (i.e., all appeals exhausted) constitute a reportable adjustment after your state's normal statute of limitations has expired.

<sup>7</sup> Would your answer to any of the questions above change in cases involving a refund of federal taxable income?

<sup>8</sup> Does your state have written guidance on what constitutes a final federal tax changes?

<sup>9</sup> AK: See AS 43.20.030(d).

<sup>10</sup> AZ: A.R.S. 43-327 requires an amended return to be filed upon final determination. Final determination means all appeals exhausted.

<sup>11</sup> CA: If it pertains to and concludes a tax year.

<sup>12</sup> CA: Individual taxpayers are required to report all federal adjustments that increase the tax for any year. Corporate taxpayers are required to report all federal changes whether or not they result in increased California tax.

<sup>13</sup> CA: *Id.*

<sup>14</sup> CA: *Id.*

<sup>15</sup> CA: *Id.*

<sup>16</sup> CA: Individual taxpayers are not required to report federal adjustments that result in refunds; Corporate taxpayers must report all changes. However, a claim for refund resulting from the federal changes must be filed within the normal statute of limitations period OR within 2 years of the final federal determination.

<sup>17</sup> CA: See Publication 1008.

<sup>18</sup> CT: See Conn. Gen. Stat. § 12-226(a)(1). Amended return reporting the federal change must be filed within "ninety days after the final determination of such change."

<sup>19</sup> CT: *Id.*

<sup>20</sup> CT: *Id.*

<sup>21</sup> CT: *Id.*

<sup>22</sup> CT: *Id.*

State <sup>1</sup>	Signing IRS Form 870 for one audit when other issues still under review <sup>2</sup>	Partial settlement of federal tax issues reported/paid to IRS <sup>3</sup>	Form 4549-A <sup>4</sup>	Form 886-A <sup>5</sup>	Final federal tax changes <sup>6</sup>	Answer changes if refund of federal taxable income <sup>7</sup>	Written guidance re: final federal tax change <sup>8</sup>
District of Columbia <sup>23</sup>	Yes	Yes	Yes	Yes	Yes	Yes	No
Florida <sup>24</sup>	Yes	Yes	Yes	Yes	Yes	No	Yes
Georgia <sup>25</sup>	No Response	No Response	No Response	No Response	No Response	No Response	No Response
Hawaii	No	Yes	Yes	No Response	Yes	No	No
Idaho	No Response <sup>26</sup>	No Response <sup>27</sup>	No Response <sup>28</sup>	No Response <sup>29</sup>	Yes <sup>30</sup>	No Response <sup>31</sup>	No
Illinois	Yes	Yes	Yes	Yes	Yes	No	No
Indiana <sup>32</sup>	No	No	No	No	Yes	No	Yes
Iowa <sup>33</sup>	Yes	Yes	Yes	Yes	Yes	No	Yes
Kansas	Yes	Yes	No	No	Yes	No	No
Kentucky	Yes	Yes	Yes	Yes	Yes	Yes <sup>34</sup>	Yes <sup>35</sup>
Maine	Yes	Yes	Yes	No Response <sup>36</sup>	Yes	No	Yes <sup>37</sup>
Maryland <sup>38</sup>	No	Yes	Yes	No	Yes	Yes	No
Massachusetts	Depends	Depends	Depends	Depends	Depends	No	Yes <sup>39</sup>
Michigan	No Response <sup>40</sup>	No Response <sup>41</sup>	No Response <sup>42</sup>	No Response <sup>43</sup>	No Response <sup>44</sup>	No	No

<sup>23</sup> DC: See District official code sections 47-4301 and 47-4304.

<sup>24</sup> FL: See Sections 220.03(2)(3) and 220.23, Florida Statutes.

<sup>25</sup> GA: See Georgia Code Section 48-7-82.

<sup>26</sup> ID: The Tax Commission has made no ruling on this fact situation.

<sup>27</sup> ID: *Id.*

<sup>28</sup> ID: *Id.*

<sup>29</sup> ID: *Id.*

<sup>30</sup> ID: See Idaho Decision 9668. See IDAPA 35.01.01.890 & 35.01.01.891.

<sup>31</sup> ID: The Tax Commission has made no ruling on this fact situation.

<sup>32</sup> IN: See Commissioner's Directive #13 (refunds).

<sup>33</sup> IA: Iowa Code section 422.25(1)(a) extends the time for the Department to make an examination and determination after final disposition with the IRS. Iowa Code section 422.73(1) extends the time for a taxpayer to request a refund after final disposition with the IRS. Rules 38.2(1)“f” and 43.3(8)“b” address examination and refund of individual income tax. Rules 51.2(1)“f” and 55.3(5)“b” address examination and refund of corporation income tax.

<sup>34</sup> KY: The response would change if it were a refund and out of statute. See KRS 134.580 and KRS 141.235.

<sup>35</sup> KY: See KRS 141.210(1).

<sup>36</sup> ME: Not until finalized.

<sup>37</sup> ME: See 36 M.R.S. §5227-A.

<sup>38</sup> MD: Per MD TG section 13-409(b) - Report required within 90 days after the Internal Revenue Service issues to a person the final determination that increases federal taxable income. A claim for refund may not be filed later than 1 year from the date of a final adjustment report of the IRS; or a final decision of the highest court of the US to which an appeal of a final decision of the IRS is taken.

<sup>39</sup> MA: Final Determination, a federal determination when there is no right of administrative or judicial appeal. A federal determination is deemed final, for a taxpayer with a right of appeal, if no appeal is taken. A federal determination is final on the date of decision in the court of last resort. A judicial determination is deemed final on the date the right to any further appeal expires if the appeal is not carried to the court of last resort. For purposes of 830 CMR 62C.30.1, the definition of “final determination” is not limited to the meaning of the term when used by the Internal Revenue Service in connection with a closing agreement. See 830 CMR 62.30.1(2).

<sup>40</sup> MI: “A taxpayer shall file an amended return with the department showing any alteration in or modification of a federal income tax return that affects its tax base under this part. The amended return shall be filed within 120 days after the final determination by the internal revenue service.” See MCL 206.687.

<sup>41</sup> MI: *Id.*

<sup>42</sup> MI: *Id.*

<sup>43</sup> MI: *Id.*

<sup>44</sup> MI: *Id.*

State <sup>1</sup>	Signing IRS Form 870 for one audit when other issues still under review <sup>2</sup>	Partial settlement of federal tax issues reported/paid to IRS <sup>3</sup>	Form 4549-A <sup>4</sup>	Form 886-A <sup>5</sup>	Final federal tax changes <sup>6</sup>	Answer changes if refund of federal taxable income <sup>7</sup>	Written guidance re: final federal tax change <sup>8</sup>
Minnesota	Yes	Yes	Yes	Yes	Yes	No	No
Mississippi	No	Yes	Yes	No	Yes	No	No
Missouri <sup>45</sup>	Yes	Yes	Yes	Yes	Yes	No	Yes
Montana	Yes	Yes	Yes	Yes	Yes	No	No
Nebraska <sup>46</sup>	Yes	Yes	Yes <sup>47</sup>	No	Yes	No	Yes
New Hampshire	No Response	No Response	No Response	No Response	No Response	No Response	Yes <sup>48</sup>
New Jersey <sup>49</sup>	Yes	Yes	No	No	Yes	No	Yes
New Mexico	Yes	Yes	Yes	Yes	Yes	No	No
North Carolina	Yes	No	Yes	Yes	Yes	No	No
North Dakota <sup>50</sup>	No	No	No	No	Yes	No	Yes
Ohio <sup>51</sup>	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Oklahoma <sup>52</sup>	Yes	Yes	Yes	Yes	Yes	No	No
Oregon	Yes	Yes	Yes	Yes	Yes	No	No
Pennsylvania	Yes	Yes	Yes	Yes	Yes	No	No
Rhode Island	No	No	Yes	Yes	Yes	No	Yes <sup>53</sup>
Tennessee <sup>54</sup>	Yes	Yes	Yes	Yes	Yes	No	Yes
Texas <sup>55</sup>	No	No	No	No	No	No	No
Utah	No	Yes	Yes	No	Yes	No	No
Vermont	No	Yes	Yes	Yes	Yes	No	No

<sup>45</sup> MO: See 12 CSR 10-2.105(3).

<sup>46</sup> NE: See Regulation 24-046.

<sup>47</sup> NE: Assuming this constitutes a final determination by the IRS.

<sup>48</sup> NH: See RSA 77-A:10 and N.H. Admin. Rules, Rev 307.10.

<sup>49</sup> NJ: See N.J.A.C. 18:7-11.8 and 13.8.

<sup>50</sup> ND: North Dakota Century Code Section 57-38-34.4 and North Dakota Administrative Code Section 81-03-01.1-09.

<sup>51</sup> OH: CAT is a gross receipt tax that operates, in large part, independently from federal corporate income tax principals. There is no specific reporting requirement for CAT based on adjustments to the federal income tax returns, with or without consideration of the statutes of limitation.

<sup>52</sup> OK: See 68 O.S. §2375(H) relating to required reporting for IRS Adjustments.

<sup>53</sup> RI: Refer to RI Regulation CT 00-05.

<sup>54</sup> TN: Franchise and Excise Tax Notice, Federal Income Revisions (Jan. 2002).

<sup>55</sup> TX: A final determination resulting from an administrative proceeding of a local, state, or federal regulatory agency; or a judicial proceeding arising from an administrative proceeding of a local, state, or federal regulatory agency, that affects the tax liability must be reported not later than the 120th day after the determination becomes final. The statute of limitations expires one year from the later of the day the report is required to be filed or the day the report is received; or the day the final determination is discovered, if a report is not filed. See Tax Code 111.206.

State <sup>1</sup>	Signing IRS Form 870 for one audit when other issues still under review <sup>2</sup>	Partial settlement of federal tax issues reported/paid to IRS <sup>3</sup>	Form 4549-A <sup>4</sup>	Form 886-A <sup>5</sup>	Final federal tax changes <sup>6</sup>	Answer changes if refund of federal taxable income <sup>7</sup>	Written guidance re: final federal tax change <sup>8</sup>
Virginia	Yes <sup>56</sup>	Not Applicable <sup>57</sup>	Yes <sup>58</sup>	Not Applicable <sup>59</sup>	Yes	No <sup>60</sup>	Yes <sup>61</sup>
West Virginia	No	No	No	No	No	No	No
Wisconsin	Yes	Yes	Yes	Yes	Yes	No	Yes <sup>62</sup>

<sup>56</sup> VA: See P.D. 15-228.

<sup>57</sup> VA: It would depend upon whether such partial settlement and payment meets the definition of “final determination” as used in Va. Code §58.1-311 and 23 VAC 10-110-70 and as defined in 23 VAC 10-20-180(B).

<sup>58</sup> VA: See P.D. 15-228.

<sup>59</sup> VA: The Department of Taxation has not ruled as to whether this constitutes a “final determination” under Va. Code §58.1-311; 23 VAC 10-110-70; and 23 VAC 10-20-180(B).

<sup>60</sup> VA: However, note that the payment or refund of any federal income or estate tax may constitute a “final determination” for Virginia purposes even though a refund suit may be pending or contemplated which could result in another “final determination.” See 23 VAC 10-20-180(B)(1).

<sup>61</sup> VA: See 23 VAC 10-110-70(C) and 23 VAC 10-20-180(B).

<sup>62</sup> WI: S. Tax 2.105, Wis. Adm. Code, provides guidance on the required notice for federal adjustments and what constitutes a final federal determination.

## Reporting Federal Changes: Other Reportable Adjustments After Your State's Normal Statute of Limitations Expires

State <sup>1</sup>	Other state tax changes <sup>2</sup>	Other local tax changes <sup>3</sup>	Changes to financial statements <sup>4</sup>	Changes by foreign governments <sup>5</sup>	Federal change with no impact on tax liability in state <sup>6</sup>
Alabama	No	No	No	No	Yes <sup>7</sup>
Alaska	No	No	No	No	Yes <sup>8</sup>
Arizona	Yes <sup>9</sup>	No	No	Yes <sup>10</sup>	No
Arkansas	No	No	No	No	No
California	Yes	Yes	No	Yes	Depends <sup>11</sup>
Colorado	No Response	No Response	No Response	No Response	No Response
Connecticut	No	No	No	No	No
District of Columbia	No	No	No	No	No
Florida	Yes	Yes	Yes	Yes	Yes
Georgia	No Response	No Response	No Response	No Response	No Response
Hawaii	No	No	No	No	No
Idaho	Yes <sup>12</sup>	No	No	No	Yes
Illinois	No	No	No	No	No
Indiana	No	No	No	No	Yes
Iowa <sup>13</sup>	No	No	No	No	No
Kansas	Yes	No	No	No	No
Kentucky	No	No	No	No	Yes <sup>14</sup>

<sup>1</sup> The questions in this chart are all appearing for the first time in 2016. As a result, none of the responses are in bold.

Depends indicates that the respondent's answer would depend on the facts and circumstances.

NV, SD, WA and WY do not impose a corporate tax based on income.

DE, LA and SC did not participate in this portion of the survey.

NY said that in 2014, it enacted the most comprehensive changes to its corporate tax structure in nearly 75 years. Because the state is in the process of drafting and finalizing regulations relating to these changes, it said it would be premature for it to opine on the income tax portions of the survey at this time.

NYC said that in 2015, it enacted the most comprehensive changes to its corporate tax structure in nearly 40 years. Because the city is in the process of drafting rules relating to these changes, it said it would be premature for it to respond to the survey at this time.

<sup>2</sup> Please indicate whether or not other state changes constitute a reportable adjustment after your state's normal statute of limitations has expired.

<sup>3</sup> Please indicate whether or not other local tax changes constitute a reportable adjustment after your state's normal statute of limitations has expired.

<sup>4</sup> Please indicate whether or not changes to financial statements (e.g., net worth), constitute a reportable adjustment after your state's normal statute of limitations has expired.

<sup>5</sup> Please indicate whether or not changes by foreign governments constitute a reportable adjustment after your state's normal statute of limitations has expired.

<sup>6</sup> Please indicate whether or not a federal change (e.g., certain federal tax credits) that has no impact on an entity's tax liability in your state constitutes a reportable adjustment after your state's normal statute of limitations has expired.

<sup>7</sup> AL: Only to the extent Federal income tax deduction is affected.

<sup>8</sup> AK: See AS 43.20.030(d).

<sup>9</sup> AZ: Yes, if it changes the credit for taxes paid to another state or country.

<sup>10</sup> AZ: *Id.*

<sup>11</sup> CA: Corporate Taxpayers must report all changes; Individual taxpayers need only report changes that result in an increase in state tax for any year.

<sup>12</sup> ID: See IDAPA 35.01.01.891 & Idaho Code section 63-3069.

<sup>13</sup> IA: If the above changes result from a false or fraudulent return filed with the intent to evade tax, the statute of limitations is unlimited. Certain state tax credit programs may impose additional reporting requirements.

<sup>14</sup> KY: Could affect the Kentucky NOL.

State <sup>1</sup>	Other state tax changes <sup>2</sup>	Other local tax changes <sup>3</sup>	Changes to financial statements <sup>4</sup>	Changes by foreign governments <sup>5</sup>	Federal change with no impact on tax liability in state <sup>6</sup>
Maine	Yes	Yes	No	No	No
Maryland	No	No	No	No	No
Massachusetts	Yes <sup>15</sup>	Depends	Depends	Depends <sup>16</sup>	No <sup>17</sup>
Michigan <sup>18</sup>	No Response	No Response	No Response	No Response	No Response
Minnesota	No	No	No	No	Yes
Mississippi	No	No	No	No	No
Missouri	No	No	No	No	No
Montana	No	No	No	No	Yes
Nebraska	Yes	Yes	No	No <sup>19</sup>	Yes
New Hampshire	No Response	No Response	No Response	No Response	No Response
New Jersey	No	No	No	No	Yes
New Mexico	No	No	No	No	No
North Carolina	No	No	No	No	No
North Dakota	No Response <sup>20</sup>	No Response <sup>21</sup>	No	Yes	No
Ohio <sup>22</sup>	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Oklahoma <sup>23</sup>	No <sup>24</sup>	No <sup>25</sup>	No <sup>26</sup>	No <sup>27</sup>	Yes
Oregon	Yes	Yes	No	Yes	No
Pennsylvania	No	No	No	No	Yes
Rhode Island <sup>28</sup>	Yes	Yes	Yes	Yes	No
Tennessee	No	No	No	No	No
Texas	No	No	No	No	No
Utah	No	No	No	Depends <sup>29</sup>	No <sup>30</sup>
Vermont	No	No	No	No	No

<sup>15</sup> MA: See 830 CMR 62C.30A.1, Changes in Tax Due to Any Other United States or Canadian Jurisdiction.

<sup>16</sup> MA: *Id.*

<sup>17</sup> MA: The change must result in increased Massachusetts tax liability. See 830 CMR 62C.30.1(3)(a).

<sup>18</sup> MI: "A taxpayer shall file an amended return with the department showing any alteration in or modification of a federal income tax return that affects its tax base under this part. The amended return shall be filed within 120 days after the final determination by the internal revenue service." See MCL 206.687.

<sup>19</sup> NE: Unless this results in a change to the taxpayer's FTI necessitating the filing of an amended federal return.

<sup>20</sup> ND: To the extent they affect the credit for taxes paid to another state for individual income tax. No impact for corporate income tax.

<sup>21</sup> ND: *Id.*

<sup>22</sup> OH: CAT operates, in large part, independently from federal corporate income tax principals. There is no specific reporting requirement or statute of limitation implications for CAT based on adjustments to the foreign, federal, state, or local tax returns.

<sup>23</sup> OK: See 68 O.S. §2375(H) relating to required reporting for IRS Adjustments.

<sup>24</sup> OK: Generally.

<sup>25</sup> OK: *Id.*

<sup>26</sup> OK: *Id.*

<sup>27</sup> OK: *Id.*

<sup>28</sup> RI: Only if it impacts the RI state tax liability.

<sup>29</sup> UT: Reporting is required if there is a change to taxable income by a foreign government that is a competent authority.

<sup>30</sup> UT: Reporting is required if there is a change to federal taxable income.

<b>State<sup>1</sup></b>	<b>Other state tax changes<sup>2</sup></b>	<b>Other local tax changes<sup>3</sup></b>	<b>Changes to financial statements<sup>4</sup></b>	<b>Changes by foreign governments<sup>5</sup></b>	<b>Federal change with no impact on tax liability in state<sup>6</sup></b>
Virginia	Yes <sup>31</sup>	No	No	No	No <sup>32</sup>
West Virginia	No	No	No	No	No
Wisconsin <sup>33</sup>	Yes	No	No	No	No

<sup>31</sup> VA: This is only required if the amount of any individual taxpayer's income tax reported on a return filed with any other state for any taxable year is changed or corrected by such state as a result of an examination conducted by a competent authority of such state, and the taxpayer previously claimed a credit for such tax pursuant to Va. Code §58.1-332. See Va. Code §58.1-311.1.

<sup>32</sup> VA: Va. Code §58.1-311 only applies if the amount of any individual, estate, trust or corporate taxpayer's federal taxable income reported on his federal income tax return for any taxable year is changed or corrected by the United States Internal Revenue Service or other competent authority.

<sup>33</sup> WI: S. Tax 2.105, Wis. Adm. Code, provides guidance on the required notice for federal adjustments and what constitutes a final federal determination.



## Reporting Federal Changes: Adequate Notice of Reportable Adjustment

State <sup>1</sup>	Only when taxpayer actually files amended return <sup>2</sup>	Taxpayer files some type of notice in writing <sup>3</sup>	Imputed to tax agency when IRS or another jurisdiction provides information to agency <sup>4</sup>
Alabama	Yes	No	Yes <sup>5</sup>
Alaska	Yes	No Response <sup>6</sup>	No Response <sup>7</sup>
Arizona	Yes	No	No
Arkansas	No	No	Yes
California <sup>8</sup>	No	Yes	Yes
Colorado	No Response	No Response	No Response
Connecticut	Yes	No	No
District of Columbia	Yes	Yes	Yes
Florida <sup>9</sup>	Yes	No	No
Georgia	No Response	No Response	No Response
Hawaii	No <sup>10</sup>	No	No <sup>11</sup>
Idaho	Depends <sup>12</sup>	Depends <sup>13</sup>	No
Illinois	Yes	No	No
Indiana	Yes	No	No
Iowa <sup>14</sup>	No	Yes	No
Kansas	Yes	No	No

<sup>1</sup> The questions in this chart are all appearing for the first time in 2016. As a result, none of the responses are in bold.

Depends indicates that the respondent's answer would depend on the facts and circumstances.

NV, SD, WA and WY do not impose a corporate tax based on income.

DE, LA and SC did not participate in this portion of the survey.

NY said that in 2014, it enacted the most comprehensive changes to its corporate tax structure in nearly 75 years. Because the state is in the process of drafting and finalizing regulations relating to these changes, it said it would be premature for it to opine on the income tax portions of the survey at this time.

NYC said that in 2015, it enacted the most comprehensive changes to its corporate tax structure in nearly 40 years. Because the city is in the process of drafting rules relating to these changes, it said it would be premature for it to respond to the survey at this time.

<sup>2</sup> For purposes of starting the state's statute of limitations for issuing an assessment, adequate notice of a reportable adjustment is only made when a taxpayer actually files an amended return.

<sup>3</sup> For purposes of starting the state's statute of limitations for issuing an assessment, adequate notice of a reportable adjustment may be made when a taxpayer files some type of notice in writing to your agency (e.g., a document submitted to an auditor without filing an amended tax return).

<sup>4</sup> For purposes of starting the state's statute of limitations for issuing an assessment, adequate notice of a reportable adjustment is imputed to the tax agency from the date the IRS or another jurisdiction provides information to the agency.

<sup>5</sup> AL: This does not relieve the taxpayer's responsibility to file an amended return.

<sup>6</sup> AK: Alaska has no position at this time.

<sup>7</sup> AK: *Id.*

<sup>8</sup> CA: While an amended return may be filed reporting the federal changes, it is not required. What is critical is that the taxpayer or the IRS provide sufficiently detailed information for computation of the resulting California tax change.

<sup>9</sup> FL: It's the taxpayer's burden to keep the Department apprised of changes the IRS makes to its federal income from which the taxpayer then acts vis-a-vis the FL Dept. Revenue.

<sup>10</sup> HI: Notice for extending the statute of limitations is dated at the earlier of the notice from the taxpayer or the notice from the IRS.

<sup>11</sup> HI: *Id.*

<sup>12</sup> ID: See IDAPA 35.01.01.891.

<sup>13</sup> ID: *Id.*

<sup>14</sup> IA: Under Iowa Code section 422.25(1)(a), the notice that begins running the extended assessment period must be in writing in any form sufficient to inform the Department of the final disposition with respect to that year, and a copy of the federal document showing the final disposition or final federal adjustments must be attached to the notice.

State <sup>1</sup>	Only when taxpayer actually files amended return <sup>2</sup>	Taxpayer files some type of notice in writing <sup>3</sup>	Imputed to tax agency when IRS or another jurisdiction provides information to agency <sup>4</sup>
Kentucky <sup>15</sup>	No	Yes	No
Maine	Yes	Yes	No
Maryland	Yes	No	No
Massachusetts	Depends	Depends	Depends
Michigan <sup>16</sup>	No	No	No
Minnesota	No	Yes	No
Mississippi	Yes	No	No
Missouri	No	Yes	Yes
Montana	Yes	No	No
Nebraska	Yes	No	No
New Hampshire <sup>17</sup>	No	Yes	No
New Jersey	Yes	No	No
New Mexico	Yes	No	No
North Carolina <sup>18</sup>	Yes	No	Yes
North Dakota	No	Yes	No
Ohio <sup>19</sup>	No	No	Not Applicable
Oklahoma <sup>20</sup>	No Response	No Response	No Response
Oregon	Yes <sup>21</sup>	Yes	Yes
Pennsylvania	Yes	No	No
Rhode Island	Yes	Yes	Yes
Tennessee	No	Yes	No
Texas	Yes	Yes	No
Utah	No	Yes	No
Vermont	Yes	No	Yes

<sup>15</sup> KY: See KRS 141.210(1)(b).

<sup>16</sup> MI: The statute of limitations for issuing an assessment shall be extended - if the period exceeds the standard four years - for the period pending final determination of tax through audit, conference, hearing, and litigation of liability for federal income tax and for one year. See MCL 205.27a(2)-(4) and RAB 2015-26.

<sup>17</sup> NH: The taxpayer must file a report of change form.

<sup>18</sup> NC: If a taxpayer's federal taxable income is corrected or otherwise determined by the federal government, the taxpayer must, within six months after being notified of the correction or final determination by the federal government, file an income tax return with the Secretary reflecting the corrected or determined taxable income. The Secretary must propose an assessment for any additional tax due from the taxpayer as provided in Article 9 of Chapter 105. See N.C. Gen. Stat. 105-130.20.

<sup>19</sup> OH: See 5751.09(F) - statute for issuing assessments begins to run either on the due date of the return for the period or the date the return was actually received, whichever is later, except when no return is filed or when a fraudulent return was filed (results in a longer statute of limitations period).

<sup>20</sup> OK: See 68 O.S. §2375(H) relating to required reporting for IRS Adjustments.

<sup>21</sup> OR: If a taxpayer filed a federal or other state's amended return they must file an Oregon amended return within 90 days.

State <sup>1</sup>	Only when taxpayer actually files amended return <sup>2</sup>	Taxpayer files some type of notice in writing <sup>3</sup>	Imputed to tax agency when IRS or another jurisdiction provides information to agency <sup>4</sup>
Virginia	Yes <sup>22</sup>	No	No <sup>23</sup>
West Virginia	No	No	No
Wisconsin <sup>24</sup>	No	Yes	Yes

<sup>22</sup> VA: Under Va. Code §58.1-311, a taxpayer audited by the IRS is required to file an amended return and report the changes to the Department within one year of the final determination of the change. Further, under Va. Code §58.1-1823, a taxpayer has three years from the last day prescribed by law for the timely filing of the return, or one year from the final determination of a federal change or correction to file an amended return to request a refund. If such amended returns are not filed, the Department may make an assessment of additional tax based on the federal adjustments at any time pursuant to Va. Code §58.1-312. See P.D. 11-105.

<sup>23</sup> VA: While notice is never imputed to the Department, the taxpayer is not required to file an amended individual income tax return if the Department has sufficient information from which to compute the proper additional tax and the taxpayer has paid such tax.

<sup>24</sup> WI: S. Tax 2.105, Wis. Adm. Code, provides guidance on the required notice for federal adjustments and what constitutes a final federal determination.