



HOPE SHORES ALLIANCE
PO BOX 797
ALPENA MI 49707-0797

Mail Date: September 14, 2022
Letter ID: L0127978718
EAN: 0691736 000
Name: HOPE SHORES ALLIANCE

NOTICE OF MICHIGAN UNEMPLOYMENT INSURANCE AGENCY TAX AUDIT

Unemployment Insurance Agency (UIA) audits employers' books and records to determine compliance with the Michigan Employment Security (MES) Act.

In accordance with Section 9 of the MES Act, this notice is to inform you that an audit of your business, 0691736 000, has been scheduled for Thursday, October 13, 2022 at 12:00 PM.

The audit will cover the calendar year(s) 2021 and will be conducted at the following location:

HOPE SHORES ALLIANCE
3022 US HIGHWAY 23 S STE D
ALPENA MI 49707-4845

Enclosed you will find the document which explains what you will need for the audit; *Questions and Answers Regarding Tax Audits/Investigations*. You will be advised at the time this audit is completed if records for additional years are required.

Contact the auditor listed below within (7) business days from the mail date of this letter, either by telephone or by email to confirm this appointment. If contacting the auditor by phone and the auditor is not available to take your call, leave a message.

Sincerely,

Patricia Boutilier, Regulation Agent
Field Audit Section
(989) 370-2445
BoutilierP@michigan.gov

UIA is an Equal Opportunity Employer/Program.

Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.



Questions & Answers Regarding Tax Audits/Investigations

Why does the UIA conduct audits/investigations?

UIA is required by the U.S. Department of Labor (USDOL) to conduct tax audits/investigations.

Why was I selected for a UIA tax audit/investigation?

UIA tax audits/investigations are selected on a random sample basis or account referrals.

What is the purpose of the audit/investigation?

UIA may audit/investigate a business for verification of wages and compliance with rulings issued by the UIA. The audit/investigation may be used for securing delinquent tax returns, the filing of claims of bankruptcy or other circumstances that may arise during the normal course of business.

What if I don't have any employees?

The records are reviewed to verify this.

Must I be available at the time of the audit/investigation?

You may designate an individual to provide the records to the auditor. However, this person must have the knowledge to answer any questions the auditor may have regarding the records and be authorized to act on your behalf. This allows for less confusion and misunderstanding regarding the audit/investigation results. The authorized representative should have a power-of-attorney to discuss your tax matters. Additionally, a separate interview with the owner or corporate officer may be necessary.

Where will the audit/investigation be conducted?

Generally, the auditor will try to schedule the audit/investigation at the site where the records are located or are readily available. This may be your place of business, or the office of your accountant, or the office of your attorney. If your business is located outside the State of Michigan, you are required to produce your records for review in Michigan. In some instances, it may be necessary to conduct the audit at a state or local government office near the business. Regardless of where the audit/investigation is conducted, the auditor may visit the place of business to verify the operation.

How will I know the person conducting the audit/investigation is representing the UIA?

The UIA auditor/investigator is required to wear a picture identification and carry a badge to identify himself/herself. If you or your representative still have concerns after viewing the auditor's credentials, direct any questions to the Office of Employer Ombudsman (OEO) through your MiWAM account at www.michigan.gov/uiia or call 1-855-484-2636. TTY service is available at 1-866-366-0004.

What records will be reviewed?

The following financial books and records, if maintained, must be made available to the UIA auditor:

- Unemployment Insurance Agency *Employer Quarterly Wages/Tax Report(s)*
- Form 5081, *Michigan Sales, Use and Withholding Taxes Annual Return*
- Federal Form 940, *Employer's Annual Federal Unemployment Tax Report*
- Federal Form 941, *Employer's Quarterly FICA & Withholding Tax Reports*, or *Form 943, Employer's Annual Federal Tax Return for Agricultural Employees (if applicable)*
- Federal Income Tax Returns [i.e. Form 1040 Schedule C for Sole Proprietors; Federal Form 1065 for Partnerships; Federal Form 1120 (*U.S. Corporations Income Tax Return*) for Corporations), LLCs and LLPs; Form 1120C (*U.S. Income Tax Return for Cooperative Association*]; and/or IRS Form 990, etc. including supporting documentation and Schedule K-1(s).
- Federal Forms W-2, *Employees Wage and Tax Statements*, Federal Forms W-3, and *Transmittal of Wage and Tax Statements (W-2 Summary)*
- Federal Forms 1099 and Federal Forms 1096, *Annual Summary and Transmittal of U.S. Information Returns (1099 Summary)*
- Employee's Individual Earnings Records, along with any quarterly and year-to-date summaries that are maintained regarding these records
- Employee's pay stub information for each pay period of the audited year
- Receipts and invoices for disbursements
- Check stubs and/or canceled checks (if needed)
- General Ledger Detail for all Expense accounts
- Petty cash records

- Financial Statements (Profit and Loss Statement, Income Statement, Trial Balance, Balance Sheet, Statement of Revenue Expenditures and Fund Balance (if applicable))
- Master Vendor Files
- Proof of Workers Compensation Insurance
- Form UIA 1710, *Notice of Unemployment Benefits*
- Copies of all lease and note payable agreements

Note: R 421.190 of the Michigan Administrative Code requires Employee Leasing Companies (ELCs, also sometimes known as Professional Employer Organizations) to provide certain additional information as follows:

- Completed Form UIA 1045, *Status Questionnaire for Employee Leasing Companies*
- Completed Form UIA 1045-A, *Disclosure Statement for Employee Leasing/Client Companies with Common Officers/Ownership/Family Members*
- Lists of client entities by year (must include: full legal name, business address, Federal Employer Identification Number (FEIN), contact name and phone number, and current or previous UIA Account numbers, if known)
- Signed copies of the employee leasing contracts between the employee leasing company and each client entity
- Lists, by client entity name and FEIN, of the employees leased to each client entity (with employees names and social security numbers)

Why is the auditor examining records other than the payroll records?

The auditor will be verifying that your unemployment insurance liability has been properly established, that all taxable wages under the MES Act were properly reported, and that the tax rate is accurate. The auditor will be reviewing the records for casual and sub-contract labor, certain sales commissions, corporate officer remuneration, etc., that may be taxable under the MES Act.

What if we paid for services of individuals we do not consider to be our employees? Will we have to pay taxes on their earnings?

The most frequent question arising from the UIA audit is whether certain wages paid by the employer are taxable for UIA purposes. You may consider an individual to be an independent contractor or sales agent, but UIA may consider their earnings to be taxable wages, based on the law and on court decisions. The auditor will apply the law and court decisions in making an adjustment for these services and will fully explain to you the reason behind the decision. If you do not agree with the auditor's decision, you may file a protest.

When will I be advised of the audit/investigation results?

Upon completion of the full audit, the auditor will inform you or your designated representative of the audit results. Form UIA 1459, *Audit Results* will be sent to you within 90 days of completion of the audit. The letter will explain all the audit findings and the results will post to the employer's account.

What are the possible results of the audit?

An audit may or may not result in an adjustment to your account. Adjustments will be made based on payroll discrepancies, non-compliance issues, and/or findings of misclassified payments or services.

If I appeal the Determination resulting from the audit/investigation, does the interest on the additional tax due stop until the matter is resolved?

No. The only way for the interest to stop accruing is to pay the entire balance due, including interest, under protest. If a ruling is made in your favor, this money will be credited to your account (or refunded, if you request).

Will the taxes I pay to the Internal Revenue Service (IRS) be affected by the audit/investigation?

Under certain circumstances, the IRS will be notified if you fail to report wages to the UIA. Additionally, the amount of credit for payment of your Federal 940 or FUTA Tax may be affected.

If your address changes it is important to update it with the Unemployment Insurance Agency.

Direct any questions to the Office of Employer Ombudsman (OEO) through your MiWAM account at www.michigan.gov/uia or call 1-855-484-2636. TTY customers call 1-866-366-0004.

