



Deloitte's Revenue Agent Report (RAR) Services

Helping you stay on top

The issue

State RAR requirement

An Internal Revenue Service ("IRS") examination can impact the computation of state taxable income, modifications, and other state tax attributes. When a taxpayer receives a notice of final determination from the IRS (commonly referred to as a Revenue Agent's Report or RAR), states require that the taxpayer (i) redetermine their state tax liabilities, taking into account the adjustments reflected in the RAR and (ii) provide notification to applicable state tax authorities regarding any related impact. There tends to be no statutory de minimis threshold, and taxpayers often are

required to notify applicable states within a very short time frame (typically 30 to 90 days following final determination of the IRS audit) by filing an amended return along with other required documentation.

Why now?

The IRS continues to focus on accelerating the closing of outstanding "large-case" audits. One result of this push has been increased demands on a company's state tax function. Already busy in-house tax departments face the following:

- The need to timely meet state requirements in order to avoid (i) state tax penalties and interest and (ii) the application of an extended statute of

limitations, both of which could potentially impact a company's cash flow, financial statements, and disclosure requirements under FASB ASC Topic 740 (formerly FIN 48)

- A significant increase in the volume of unanticipated state and local tax compliance
- Limited resources and/or competing priorities for existing resources
- A shortened compliance time frame that may arise at the most inopportune time
- The need for large-project management skills ➔

How we can help

RAR Services from Deloitte

Recognizing the challenges faced by our clients, Deloitte has developed a proprietary technology, STARS, aimed at helping clients facilitate data collection, return preparation, and project administration associated with the state compliance requirements following an IRS audit. We have assembled a team of seasoned multistate tax specialists with prior RAR experience to work with our clients across the country to provide complete or partial cosourcing of the state RAR compliance process. Our proven process, experienced resources, and proprietary technology allow us to provide these services in an efficient and cost-effective manner.

RAR Services

Our approach

We use a phased approach with the goal of helping clients effectively manage the RAR compliance process and to allow for the integration of enhanced value-added services.

Phase I	Phase II	Phase III (Optional)
<ul style="list-style-type: none">Returns/filings determinationData gatheringData inputPreliminary RAR reviewState return analysis	<ul style="list-style-type: none">Final RAR reviewState tax research and analysisPreparation of returns/filings (incorporating adjustments identified through state return analysis), review, and submission	<ul style="list-style-type: none">Notice follow-up and administrationNOL carryback/carryover amended returns

Additional services: Teaming with controversy specialists/Interest Analyzer

RAR technology

Central to our RAR Services is STARS which helps enhance the quality, efficiency, and organization of the entire engagement. Key highlights of STARS include:

- Data entry module to capture prior filings and subsequent changes
- RAR module to identify federal and state adjustments
- Walk-through workpaper to support amounts shown on amended return
- Automated amended return generation
- Import module
- Project reports

In addition, through the use of Deloitte OnLine, clients and Deloitte team members can collaborate throughout the project seamlessly in a web-based environment.

Next steps

If you would like to learn more about how Deloitte can help your company address its state tax compliance obligations arising from IRS audits or other changes to your

federal income tax return, please feel free to call your Deloitte representative. We would be pleased to meet with you at no cost to discuss our approach to RAR state tax compliance as well as demonstrate STARS. Even if your company is currently in the midst of its IRS exam, it is not too early to begin discussing the state implications and related potential state tax saving opportunities that may exist.

Suggested next steps include:

- Preliminary review of your general state tax compliance requirements
- Viewing a demonstration of our STARS technology
- Discussion of value-added enhancements to our compliance process
- Preparation of a proposed project scope and price term sheet
- Discussion of timing and critical path steps

State tax return analysis

- Opportunity exists in certain states to help clients pursue refunds otherwise closed under the normal state statute of limitations
- Refunds identified may offset increases in state tax resulting from the RAR adjustments and/or may provide incremental cash savings
- Provides one last look before closing out the returns
- Coordinated, but separate refund team provides efficient and specialized skill sets
- Potential state tax savings may help clients defray the cost of the compliance project

Additional services

Tax controversy services

- Services may reduce examination burdens and provide tax compliance risk management benefits

Interest Analyzer

- Interest Analyzer reviews the interest calculated by the IRS
- Application of the Interest Analyzer may help clients manage the amount of interest charged

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