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1100 INTRODUCTION

We designed the Residency and Sourcing Technical Manual (RSTM) to assist you in conducting residency and source of income audits.

Franchise Tax Board Notice 94-8 explains that manuals provide you with guidance, but are not authoritative. Neither you nor the taxpayer can cite the manual to support a tax position. This manual is not a substitute for researching the laws and court or Board of Equalization (BOE) decisions pertinent to an audit issue.

Unless otherwise specified, all section references relate to sections of the California Revenue and Taxation Code (R&TC) or the California Code of Regulations (CCR) Title 18, Division 3. Statements of law in the RSTM reflect the law on the manual's revision date.

The manual contains three major sections:

- RSTM 2000 Residency Laws, Terms, and Concepts
- RSTM 3000 Source of Income Laws, Terms, and Concepts
- RSTM 4000 Residency and Sourcing Audit Guidelines

1200 AUDIT OBJECTIVE AND AUDIT STANDARDS

You conduct yourself and your work in a manner that is both fair and effective. You correctly apply and administer the tax laws in a reasonable, practical, fair, and impartial manner. You conduct your audits in a reasonable manner within the boundaries of the law, with sound administration, minimal delay, courtesy, and respect to taxpayers. To achieve your objective, you conduct your audits in a manner which is not unnecessarily burdensome, costly, or intrusive to taxpayers. Our goal is to continually strive for quality, effectiveness, and economy in the services provided to taxpayers.

During the audit process, you identify issues; obtain, evaluate, and document information; and arrive at the correct determination. Your decision is supported by a reasonable interpretation of the tax laws. You conduct your audits in adherence with the following audit standards in all cases:

Legality – Ensure audit activities and conclusions agree with established laws and legal interpretations.

Objectivity - Examine all relevant, available facts fairly and without bias.

Timeliness - Conduct and complete audits with minimum inconvenience to taxpayers.

Supportability - Adequately support recommendations with facts and law.

Refer to the Manual of Audit Procedures, MAP, for further information concerning audit procedures.