



STRATEGIES FOR Success

The Tax Audit: Deal With It Successfully!

There's no need to panic if you receive an audit letter from the IRS. Follow these guidelines and be prepared for anything!

Enrolled Agents are licensed to represent taxpayers in IRS matters.

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Suppose today's mail brings you a letter from the IRS advising you that you are being audited. What would you do?

A notice to appear before an IRS examiner is not a presumption that the IRS wants to challenge a deduction or deductions that you have taken. It is that at least the government wants to know more about the nature of the deductions claimed.

How can you get caught up in an audit? Basically, there are three ways: via computer scanning, via random selection or "bounty hunters." Your chances of being audited also increase as your income increases or if you are self-employed.

There are a number of items to consider as you deal with an audit.

First, remember that you will have some time to work with. You'll have at least several weeks, and a postponement usually can be arranged, so there is no need to panic.

Second, seek the assistance of a professional. A tax expert knows the audit procedure: what documentation will be required, what kinds of supporting material—such as explanatory narratives and letter from employers—will help, how to present your arguments to the examiner and how to have your case transferred to a more convenient audit center if this seems appropriate. Practice total candor with your advisor and provide him with good records.

Third, if you decide to handle the audit on your own, be prepared (the examiner definitely will be). Keep the conversation to the point, be strictly honest, and find out all you can about IRS rules and regulations covering the matters at hand in your audit.

Fourth, the good thing about an audit is that you learn the results right away. If you win, that's it. If you lose, you have the alternative of paying up or entering into the appeals process. There are different routes. One is an appeals structure through the IRS itself, another is directly to the U.S. Tax Court, and still another is through the judicial system (U.S. District Court & the Court of Claims).

Last of all, remember:

The more complicated your return, the greater the likelihood that someone at the IRS may want to speak with you about it.

Get organized and keep good business records: payroll records, tax reports and payments, sales records, income and expenses, accounts payable and receivable.

Professional know the rules of the game. He or she can prevent you from making innocent mistakes and help you deal with the most complex system ever devised by any people—the U.S. taxation system.

Consult with our Enrolled Agents for assistance and information on the ways to handle an audit with success.