

Article 2

Seven Ways to Avoid An Audit

There are simple things that you can do to minimize the possibility that you will be audited. Pay attention to details is important, even if you pay someone else to prepare your return, you are still responsible for its accuracy.

Although the chances of being audited are small-fewer than 1% of tax return are audited in any given year-the Internal Revenue Service is getting better at analyzing return for accuracy.

Here are seven practical tips that, if followed, might prevent your return from being flagged for audit, or could help you if it does happen. While this is not meant to be an all-inclusive list, these are important details that are often ignored.

1. **Avoid handwriting your return.** Appearances count. Sloppy looking returns may be at a higher risk of being audited than clean ones, because the IRS may misread them. For example, the IRS might read your sloppy “7” as a “1” instead. Obviously, this can make a huge difference.
2. **Be careful when reporting large or unusual deductions.** The IRS often compares returns filed by people in the same tax bracket, profession and zip code. So if you have a large charitable contribution, for example, you would be wise to have in your possession an official receipt for the amount issued by the nonprofit organization and a statement that you were not provided with any goods or services in exchange.
3. **Be careful when claiming a home office as a deduction.** If you have a home office, it must be a room this is used only for business purposes. It should be a separate space-not a corner of your bedroom. If you are audited, you should bring photographs of the office to prove its existence. The area used for business must be used regularly and exclusively.
4. **Keep excellent records.** You will need these to prove any deductions and expenses you plan to report. This is especially important for small business owners who deal in large amounts of cash. The IRS also tends to audit small businesses that continually lose money. If the business is something you do on the side, the IRS will require proof that it is a business and not just a hobby. If this is the case, you should have a legitimate business plan.
5. **Double check your return.** Be careful to check your math and social security number and make sure you sign and date the return. Also, be careful that your W2 withholdings are the same as what you stated on your return and be sure to attach the W2 form to your return. The IRS now utilizes a program that automatically matches W2s filed directly to it by employers to W2s filed by

taxpayers as well as 1099s. So if they don't match, you will probably hear about it from the IRS.

6. **Don't put off doing your taxes until the last minute.** Do your taxes far enough in advance that you have plenty of time to review the return and make sure that aren't any errors.
7. **Take tax advice only from legitimate and reputable sources.** There are a lot of illegal tax avoidance schemes out there. Con artists convince people that they are eligible for bogus tax credit or loopholes that will help them avoid paying taxes. These tricks are revealed for a fee, but will only lead to trouble with the IRS if used.