

# Article 1

## Eight Things To Do If You Are Audited

Although the chances of being audited are small-fewer than 1% of the 132 million tax returns filed each year are typically audited-the Internal Revenue Service is getting better at analyzing returns for accuracy.

But this year more people will be scrutinized by the Internal Revenue Service simply because it has instituted a study on tax compliance in which it will randomly audit nearly 50,000 additional individual returns. The IRS will use this study to build a better mousetrap with which to catch tax cheaters.

If you happen to be one of the unlucky few who is chosen for an audit, expect a letter by mail, which may spell out the items in question-but not always. The letter will tell you the type of audit: correspondence or office.

In a correspondence audit, the IRS asks for more information about certain items in your return, and you have to send in documentation the answers the query.

The other kind of audit is one in which you meeting with an IRS examiner at a local IRS office. Like a correspondence audit, the examiner is usually only interested in seeing documentation related to specific items in your return.

This year, however, because of its tax compliance study, the IRS will do 2,000 random audits, in which they will ask to see support for almost every line on the return for these very unlucky taxpayers.

1. **Do not ignore a notice from the IRS.** They will proceed, so take care of it. Follow the instructions in the letter regarding the date, time and place of your appointment. If you are unable to keep the appointment, notify the auditor and set up a new appointment.
2. **Don't do the audit alone.** Have a tax professional accompany you and/or represent you.
3. **Have as much documentation as possible to prove the items/deductions the IRS is questioning.**
4. **Don't volunteer any information unless asked for it first.** This could only possibly open up issues better left alone.
5. **Organize your paperwork before you arrive.**
6. **If you are present at the audit, be professional.** Leave your emotions at home.

7. **Don't sign anything, especially Form 872, which extends the amount of time in which the IRS can assess additional tax on your return.** Normally, there is a three-year statute of limitations (from the date of filing or the due date, whichever is later) unless fraud or significant underreporting is involved.

8. **Expect to pay up if you can't support your deductions if you have underreported your income.** If the IRS audits you and it results in a change where you owe more tax, the IRS will report its findings to your state. Preempt a state audit by recalculating your state liability and pay that one too.