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9 Mistakes to Avoid if You Are Facing an IRS Tax Audit

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When you file a tax return as an individual, or when you file a corporate tax return for your business, the accuracy of your return is paramount to avoiding trouble with the IRS. Certain mistakes can alert the IRS to potential trouble and lead to an audit on your return.

In a tax audit, the IRS essentially sets out to determine if your tax liability exceeds the amount you initially calculated on your return. If you do owe more money than you originally calculated, you may be asked to pay the difference and possibly cover additional penalties.

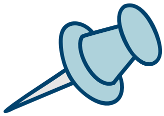
Why would you be facing an audit in the first place? Here are a few scenarios that could raise eyebrows at the IRS and potentially lead to an audit:

- Reporting the wrong amount of taxable income.
- Estimating, working from memory, or fudging numbers on your tax return.
- Taking liberties or inflating charitable donations.
- Deducting extravagant nights out as business expenses.
- Rounding up numbers excessively.
- Stretching the definition of a car or home office used for business purposes.
- Not having the right documentation when the IRS requests additional information.

You can see why it's important to keep complete and accurate financial records in order to avoid an audit. If the IRS does send you an audit notice, however, you also need to know how to properly handle the process — and how not to handle it.

With that, let's take a look at the top mistakes to avoid in the event of an IRS tax audit.

1) Ignoring notices



Sorry, but you can't just ignore the audit notices until they go away. The only way to make an audit notice go away is to address it. Make sure you stay on top of any mail or phone calls you receive to discuss the details of your audit. If you ignore the IRS, you could end up with higher penalties, fees, or even criminal charges.

That said, you can usually take your time with requests while staying inside the IRS's deadlines. Rushing the audit process can lead to costly mistakes, while delaying (within reason) can actually take some of the heat off your case. If you need time to get your records together, ask for more time.

2) Missing documents

You should always keep thorough, accurate records of your finances, but it's all the more important when you're being audited. Documents like bank statements and receipts will help defend your case. If you've lost a document, try checking online or contacting your financial institution to reconstruct the missing information.

3) Agreeing to a field audit

Sometimes the IRS auditor will carry out a field audit at your home oroffice. It's often in your best interest to instead conduct the audit at the IRS office, where you can control the financial information you relay to the IRS. Ask your tax lawyer or accountant for help in dealing with the auditor.

4) Volunteering information

You should absolutely cooperate with the IRS auditor on your case, but you do not need to offer up any information that is not asked of you. Similarly, you should not hand over any documents that the auditor has not specifically requested. Sticking to this policy can help prevent potential complications in your case.

5) Giving inaccurate information or lying

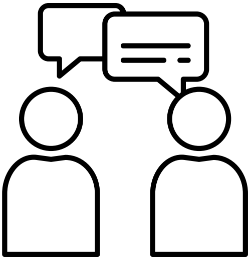
Whether or not you believe you have done something wrong on your tax return, lying will only make your situation worse. Inaccurate or missing information may also prompt auditors to look at your case with even more scrutiny. If you do not know the answer to a question or you can't remember, just say so. Never try to guess.

Again, it's generally best not to say anything or give information until you are asked, but you also need to make sure the offered information is accurate and complete. Check in with your tax lawyer if you're still unsure of how to respond to a question or request from the IRS.

6) Disrespecting the auditor

IRS audits are stressful, and it's not exactly the auditor's job to be your friend during the process. Even so, be respectful towards the auditor, because they have greater control over the outcome of your situation — and because, well, auditors are human beings too. Show up for your appointments on time, and keep your attitude civil and cooperative. It'll make the process easier on both of you.

That said, it's important to know your rights in the event of an audit. If you think the auditor is being unfair or breaking any rules, ask to speak to their manager. Again, a lawyer



7) Signing Form 4549 immediately

When the IRS has made a decision about your audit, they will give you a notice called Form 4549. It will outline any additional taxes and penalties you might owe. You have 30 days to sign it in most cases, so don't let the auditor pressure you into signing on the spot. When you sign, you agree to the auditor's findings, so it's usually best to take your time and explore other options before you accept the penalties.

8) Failing to appeal the results

You generally have the right to appeal the decision on your tax audit, whether you do it with the IRS or go to tax court. Before you start the process, call the auditor and consult with a tax professional to make sure you understand the report.

9) Doing it yourself

DIY is a nice option when you want to repurpose an old cabinet, but it's never a sound legal strategy. An established tax lawyer can help you properly communicate with the IRS, properly gather the necessary documentation, explain your choices and possible outcomes, file appeals on your behalf, and much more.

Our attorney has the combined experience and knowledge of a CPA and a tax lawyer, giving her unique insight into the auditing process. For trustworthy legal representation in the event of an IRS tax audit, call the Petry Law Firm, PLLC at (713) 859-8000. We will work closely with you to ensure you get the best possible outcome.

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