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## 10 TIPS TO HANDLE AN IRS CORRESPONDENCE AUDIT

By Victor Sy, CPA, MBA

There are three basic types of IRS audits: correspondence, office, and field examinations. Today's topics are correspondence audits, the simplest of the three. Here are 10 tips for you:

1. **Respond promptly.** You have 30 days to call or write back.
2. If you cannot, **request for an extension** of time in writing before the expiration of that 30-day period.
3. **Read the exam notice**, the list of items that are being examined, and the info document request (IDR).
4. **Gather documentation.** Create folders for each issue & place checks & invoices inside each folder.
5. **Be organized.** This is a time when you need to be orderly in gathering and filing. Remember, you will not be there to explain when the agent goes through your stuff. It is therefore critical that the documents be filed in an orderly fashion to facilitate the audit.
6. Be **convincing and persuasive in your first response**. Make it your last response. You do not want a second request or a telephone call that could elicit more audit questions and prolong your agony.
7. **Address each issue separately.** Back it up with logical explanations and supporting documents.
8. Provide **schedules to reconcile** differences of unreported income and questioned deductions.
9. Include a copy of the immediately preceding **notice** to help the IRS personnel match your response with your case files.
10. Send by **certified mail with return receipt**, especially when responding on the 30<sup>th</sup> day (some folks find it more exciting to wait for the last minute). ☺

If the audit does **not go your way and problems start to unravel**, consider getting help from a tax pro for **damage control**. You probably should have done this in the first place. Remember that a tax practitioner can help you sidestep landmines and save you enough tax, penalties, and interests to pay for his/her fees.

Good luck!

**What's New:** The number of IRS audits doubled from 2000 to 2007 and is on the rise in 2012. More than 80% of the audits were correspondence audits. More than half of taxpayers who received IRS notices did not respond, resulting in more than 500,000 tax assessments that could have been mitigated or solved.