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TWELVE TIPS TO KEEP THE IRS AWAY

By Victor Sy, CPA, MBA

The name of the game is keeping a low audit profile. It means getting lost in the crowd. It reduces the risk of an audit. [Here are 12 tips to keep the IRS from auditing your tax returns:](#)

1. Make sure that [social security numbers and names](#) that you use on your income tax match exactly what appear on your social security cards. An incorrect number or name causes your e-file to be rejected.
2. [Do not just fill in your changed name carelessly](#). If you are a recently married woman, include your maiden name in the first year of filing a joint return to avoid receiving an IRS notice for not filing due to a mismatch between IRS and SSA (Social Security Administration) records.
3. [Check your occupation](#). A professional who takes a study leave and fills in "student" as an occupation would raise suspicion as to why employee business expenses show up in a student's return.
4. [Make sure that all 1099 income are reported](#). This is a major cause of IRS notices. It is not very smart to miss a \$50 interest income and be audited because the IRS just happened to notice other interesting deductions in your return. In this case, it is wiser to err on the side of reporting too much than declaring too little. Paying \$1,000 in additional taxes for failure to report a \$50 interest income thrills not too many people. But it happens.
5. Make sure that only [mortgage interests](#) covered by Form 1098s are reported on line 10 of schedule A (itemized deductions). Report all others (owner-carried mortgages) on line 11. This is important because IRS has started matching mortgage interests reported by banks with Form 1098 against line 10 of your tax returns. A mismatch generates an IRS correspondence.
6. [The same is true with K-1s from LLCs, S-corporations, and partnerships](#). Double-check your entries from K-1s to your tax returns. IRS matches K-1s reported by partnerships with schedule E of your tax returns.
7. [File your returns on time](#). Extensions are fine. They also prolong your agonies. And extend the Statute of Limitations during which they can audit you.
8. [Use IRS-approved software and forms](#). The use of unauthorized forms from tax software that have not received IRS approval causes IRS personnel to pull out your return to manually transfer data to approved forms.
9. Do not automatically [amend](#) your previous returns at the sight of an error or lure of a refund. Weigh the good spending money from a refund against the bad prospects of an audit. A 1040X may cause your original return to be pulled out from storage for a closer look. And an audit.
10. Depreciation schedule Form 4562 asks if you have evidence to [support business mileage on your car](#). It follows this with a question asking if your evidence is in writing. To answer "no" is an invitation to an audit.
11. And for those [make-believe Schedule Cs](#) (Income From Business or Profession), the days of reporting \$100 of income and deducting \$5,000 of expenses are over. Don't do it. Not anymore, anyway.
12. [As for Rentals](#):
 - A. [Avoid large deductions](#). IRS agents are always looking for amounts that should be capitalized. For example, break down \$1,000 repairs into \$316 electrical, \$475 plumbing, \$209 roofing.
 - B. [Avoid those round solid numbers](#). Use \$478 for carpets, not \$500.
 - C. [Never, claim a large travel expense for rental purposes](#). If you insist, attach receipts and a good explanation.
 - D. If your address just happens to be identical to the rental apartment's address, don't forget to allocate non-deductible portion for owner-occupied space. Items like this make the IRS personnel think. And mail you a letter that starts like this: Your income tax return has been chosen for examination.....