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HOW TO AVOID IRS AUDITS IN 2011

PART I - GENERAL AUDIT GUIDELINES

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As some of you may have noticed, the pendulum has swung back from a “gentler and kinder IRS” to enforcement and compliance. Ouch! This is the world we live in today - budget deficits with an active IRS in pursuit of funds. Here are [10 general tips](#) to avoid IRS audits. We’ll discuss tips for income issues in part two and tips for deductions in part three.

1. Make sure that your tax returns are [complete and well-prepared](#). Make sure that numbers in your returns match IRS records. Any discrepancy in income or deductions can generate an IRS notice. Discrepancies bring attention, attention brings IRS notices, assessments, and possibly audits.
2. Respond promptly to [IRS notices](#). To ignore notices draws even more attention to your tax return.
3. Get lost..., I mean, get lost in a crowd of taxpayers and disappear in a sea of returns. The idea of safe filing is to fit in with the crowd. You don’t want red flags to jump out of your return and say “come and get me.”
4. [Avoid using round numbers](#). Your deduction may be legitimate but does not appear as such. Actually, it looks more like an estimate. And people who estimate can’t usually provide documentation - a good catch for an agent, a good source of revenue for the government. Don’t give the Service a reason to look at you as a source of funds.
5. Prepare your income tax in a [professional manner](#). You may do it yourself, but hire a tax accountant if there are technical issues such as foreclosure, cancellation of debt, passive loss, 1031 exchange or net operating loss.
6. [Don’t boast](#) how you got one over the IRS. Don’t be loud-mouthed about your exploits - how you got away from paying taxes on undeclared income. Ever heard of whistle-blowers?
7. Make sure that the [social security name and number](#) that you use on your income tax match exactly what appear on your social security card. An incorrect number or name can also cause your e-file to be rejected. If you change your name, advise the Social Security Administration (SSA). If you don’t, you’ll receive a notice of mismatch from the IRS or SSA - another unwanted attention.
8. Check your [occupation](#). A professional who takes a study leave and uses "student" as an occupation would raise suspicion as to why employee business expenses show up in a student's return. A waiter or cosmetologist without tips likewise generates curiosity - an ingredient of audits.
9. Keep [penalties](#) in mind when deciding to extend or to miss deadlines. Remember that penalties for late filing are 5% per month while penalties for late payment are only ½ % per month. In other words, if you don’t have funds, file anyway. It cuts down your penalties from 5% to ½% per month. Prompt filing also starts the running of the statute of limitations within which the IRS can audit you. The longer you extend, the more time the IRS has to get you. This is bad news if there are issues that you don’t want disturbed.
10. If you have personal issues, it may be wise to have a tax professional (CPA, EA, or tax attorney) represent you. IRS auditors can now access a [Custom Comprehensive Report about you](#). It contains professional license, accidents, properties owned with addresses, type of neighborhood you live in, bankruptcies, liens, judgments, UCC filings, transactions with relatives, criminal records, and concealed weapons permit. Scary, isn’t it?