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TWO SIMPLE RULES TO KEEP A LOW AUDIT PROFILE

By Victor Sy, CPA, MBA

While IRS audits are a pain in the you-know-where, they serve a noble purpose: keep us taxpayers in line.

Just imagine the number of cats that used to end up as dependents, the number of "vacancies" in occupied rental apartments, the number of unreported interest income from savings accounts. We would be so creative. And there would be confusion. More confusion than the last IRS reorganization.

But because audits (the IRS prefers the word "examinations") are on the rise, understand how the system works so you can plan your taxes to pre-empt an audit and reduce your odds of being selected for audit.

Playing the system strikes a fine balance between less taxes (or more refund) and less likelihood of an audit. Whatever you do, stay within legal bounds. Report all income and deduct only legitimate expenses.

A LOW AUDIT PROFILE [diminishes the likelihood of an audit](#).

How can one keep a low audit profile and still claim as many tax benefits as possible?

The first rule is to submit a return in such form that it [gets "lost" in the crowd](#). To have a return pulled out for any reason increases the chances of an audit.

To submit a return with wrong social security numbers, math errors, and missing schedules is similar to waving nice little [red flags](#).

The second rule is to present the return in such a way that if it does get picked out for manual review, it does [not generate curiosity](#) for further verification.

For example, claiming your father, mother, niece, nephew, uncle, and aunt as dependents and again claim payments made to these same dependents for childcare is not exactly in keeping with this rule.

Feel free to browse our website for more than two dozen interesting articles regarding IRS audits at www.victorsycpa.com.