

## *Sy Accountancy Corporation*

Member, American Institute of CPAs

704 Mira Monte Place, Pasadena, California 91101

Tel (626) 744-0200 • Fax (626) 744-0300 • vsy@victorsycpa.com • www.victorsycpa.com

### IRS AUDIT OF 50,000 TAX RETURNS

By Victor Sy, CPA, MBA

Remember the dreaded TCMP (Taxpayer Compliance Measurement Program) audits? If you had the misfortune of getting selected for such audit, you wouldn't forget it. You would not forget how the agent put you through a treadmill by questioning every single item in your return, instead of just focusing on red flags. These audits were dubbed “audits from hell” and rightly so. After about 15 years of inactivity, it is back. Under a new name. However, it may not be as bad since the new IRS is now more sensitive to taxpayer problems. Read and learn about this new breed of audits from the new IRS.

- The IRS needs parameters in choosing which returns should be audited.
- Out goes TCMP - leaving the Service with no systematic way of selecting tax returns for audit.
- In comes **NRP (National Research Program)** - taking the place of TCMP.
- The new NRP is less intrusive and burdensome to taxpayers than the old TCMP.
- The goal of NRP is the accurate measurement of tax compliance.
- It allows the IRS to replace outdated audit formula.
- It targets tax returns most likely to have errors.
- In other words, NRP is expected to provide a road map for selecting returns for future audits.
- It updates screening techniques for selecting returns for examination.
- The big difference between the old intrusive TCMP and the new NRP is the shifting of more burdens to the IRS rather than the taxpayer.
- The IRS audited about 50,000 tax returns to start the National Research Program.
- About 8,000 returns were checked internally using available information at the IRS. In other words, there were no contacts with taxpayers.
- About 9,000 returns were audited by correspondence (instead of the usual face-to-face exam).
- About 30,000 returns underwent partial audits (information were gathered from available records while taxpayers will be asked for missing data).
- The remaining 3,000 went through calibration audits—the most rigorous of this batch. If you are chosen for such audit, there are a few things you can do: prepare well, be organized, and read our articles on how to survive IRS audits. And, yes - pray. You'll need it.