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A Note about Audits

A tax notice or letter requesting more information or verifying information is not an official audit.

The purpose of an audit is not to “get you” but, to ensure that a correct return has been filed. For example, if you have \$1800 in repair expense you need to have the receipts for repairs to back this up.

Most IRS audits are for tax returns with Rental Property (Schedule E) and Self-Employed Business (Schedule C). Reported income loss on these schedules tend to trigger on audit. Not providing 1099's to subcontractors is another trigger for a possible audit.

To reduce your chances of an audit or to be prepared if you are selected for an audit:

1) Track your income properly and accurately, don't just guess.

2) Expenses – have a legible and totaled neat file of receipts for any expenses for each category. For example, if you have meal expense have ALL meal receipts organized in one stack with a calculator tape or spreadsheet total attached. If the records are in one big lump receipt pile, they call the records “un-auditable” and then disallow the expenses. SEE MY BUSINESS TIPS DOWNLOAD

3) Mileage- This is another key item that the IRS asks for records on. Have a written log or use a mobile phone app for all business miles driven with date, locations and reason. SEE MY BUSINESS TIPS DOWNLOAD

4) Earned income credit- (claiming kids and income under \$50,000), this is where they want you to verify that you have children and want a rather large list of proof from you before sending out your refund. This is due to the past fraud of other people. If you have your records in order and tracked your income and expenses correctly and have documentation, then you are fine. Just read through this type of notice and send them the information they ask for. Ignoring this type of notice will mean they will disallow your refund and you will not receive it. The IRS often delays releasing the refunds until mid to late February, to eliminate fraudulent claims

Check out our website for helpful tips and worksheet that track your expenses and income.

For information direct from IRS and videos, see this link:

<https://www.irs.gov/businesses/small-businesses-self-employed/irs-audits>

NYS and other states do not generally request to audit your records. Audits are typically from federal government, IRS.

What states will do is ask for further verification of something on your return, like they want copies of your 1099's or your W-2s or proof you had income or expenses. The state may also request proof of your identity before releasing your refund to eliminate fraud. This request is NOT an audit but, rather a safeguard for you.

Best thing to do is read your notice FULLY and CAREFULLY since you know your records best