

What It's Like To Be Audited By IRS, Part One

Most of us manage to live an entire life without being audited, but probably most of us have wondered what it would be like. Just how bad would the experience be?

As a paid preparer of both business and personal tax returns, I have had that experience. Given the hundreds of returns that we file and submit each year, an occasional audit is inevitable.

Fortunately, my experience in audit representation is not extensive, and I hope it never will be! But think about it: for most taxpayers, the return preparer is more of an audit threat than anything the taxpayer will ever do.

Here, then, is a firsthand account of a recent IRS audit I participated in at the IRS field office in Charlotte.

The identity and specific situations of course are completely disguised. I don't want to write about the specifics of the tax law anyway.

I want to share how "they" go about their work, and offer some specific suggestions that will greatly ease your audit path.

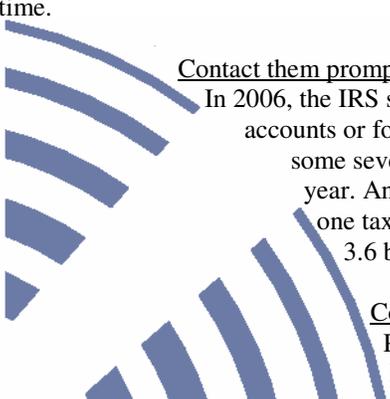
This article will be spread over two editions.

Your audit experience begins with The Scary Letter from IRS. In formal language, it tells you that you have been selected for audit, tells you when and where you are to meet, what to bring, and what specifically they are looking for.

The most important thing in the letter, though, is who to contact about the audit.

Contact them! And the quicker you do it, the better off you are.

First impressions count with IRS, just as they count on blind dates or meeting your potential mate's parents for the first time.



Contact them promptly! At an IRS seminar
In 2006, the IRS stated they had levied
accounts or foreclosed property on
some seven billion dollars one
year. And had never received
one taxpayer response on over
3.6 billion!

Contact them! Your
Position is that you are a
Loyal and honest
Taxpayer, and that you

are anxious to comply, and that you have nothing to hide.

Contact them! Your position is that you know the people who don't respond are the tax cheats who are trying to hide their evil ways and deserve to be caught.

The IRS moved to new quarters last year—big office complex, big parking lot, pleasant but imposing.

You go into a little room with two locked doors and a telephone. Pick up the phone and tell whoever answers that you're here to be audited, and they will come and escort you back.

Some offices have armed security personnel, and some offices will frisk you for weapons. While all that might sound ominous, remember that these people have extraordinary powers, the use of which may endanger their lives.

When you walk through the door, they know violence is always a possibility. Again, call them. And be polite and cooperative.

The Tax Compliance Officer works in a cube farm with room for two small chairs. The computer monitor is of course on the desk, but turned in a way that you can't see what's being displayed.

You wonder, though.

The Officer is often an older, experienced 20-plus year veteran of IRS. In my view, that's a comfort—they know what they're doing, and you hope they use their experience and their powers with judgment and discretion.

After a few pleasantries, they get right to it. They usually start with income sources.

It's surprising to hear them run through all the different ways we can receive money. We're not just talking about employment income. They also run through gifts from parents and others, loans, settlements, awards. And they always seem to end with how much cash you are carrying.

The Officer is pleasant, efficient, and respectful. You get the feeling that they are smart, knowledgeable, and that you'd

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probably like them if you met them in another environment.

They write things—usually numbers—on preprinted sheets. Occasionally they glance intently at that computer monitor you can't see, and the worst part is when they gaze intently for a long time. What have they just seen that gives them pause?

This is a good dramatic place to stop this month's story. I'll finish it next month.

But I'll tell you this—the audit was successful, insofar as we know. We were told to merely mail in some documentation, and that we didn't need to return.

They don't tell you whether you passed or failed, and nothing is certain until you receive the final dispensation letter.

But right now it looks good.