

KEEP YOUR TAX RETURN INCOGNITO

APRIL 2006

In our celebrity driven culture many Americans go to great lengths to draw attention to themselves. One entity you definitely do not want to take an interest in you would be the Internal Revenue Service. There are a few simple steps Americans can take to avoid drawing unwanted attention from Uncle Sam. John Wasik of Bloomberg did an incredible job pouring over IRS statistics to find what might set off an IRS audit.

The IRS has gotten more selective when it comes to audits; however it has increased its inspections of specific tax returns. For example: the audit rate of individual returns for those making more than \$100,000 in income rose 20%. Small corporations with assets of less than \$10 million saw their audit rate double over the past year.

Some items to avoid that often trigger audits:

Math errors. This is the single greatest cause of IRS letters over the past 10 years. Use a calculator and double check your math. Last year almost 4 million returns had incorrect calculations of the child tax credit. Other error prone areas were: tax figuring, exemptions, earned income-tax credit standard/itemized deductions and adjusted gross income amounts.

Underreporting income. This is the second most IRS letter induced hot spot, the IRS has computer programs that match 1099 statements with what you report, if the numbers don't match it can spell trouble. Make sure to check K-1 forms for partnership income or losses.

Large donations. Overly large contributions of property and or vehicles and their valuations will be checked by the IRS.

Home office expenses. Don't over do it or else.

Avoid these errors and it still will not guarantee that you will not get one the least desirable pieces of mail in history, but it will help. Individuals and businesses need to keep meticulous records in case that letter does come. It will help things to move much smoother through the process. Make sure you are able to justify all write-offs and keep your receipts. There are some fantastic software programs and services that we provide to our clients in order to lower the possibility of unwanted mail from Uncle Sam, contact us at (800)447-0579 for further information.