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10 Tips to Avoid a Tax Audit (part 2)

Let's continue with the remaining tips on avoiding a tax audit. Remember these tips are to help you avoid an unnecessary audit, not to evade paying your rightful dues in taxes.

Tip #5 – Do not miss out any Forms 1099s

Forms 1099s are sent to you and the IRS by those who pay you money. One sure way to trigger an audit is by having your Forms 1099 not match up, meaning they have a form submitted by your payer but not a corresponding one submitted by you. There are many types of Forms 1099 that reflect the types of payments you are paid. Form 1099-INT is for interest payments, Form 1099-DIV is for dividend payments, Form 1099-G is for tax refunds, Form 1099-MISC is for miscellaneous payments and Form 1099-R for pensions.

In addition there are also Forms 1098 that lenders send (to you and the IRS) recording how much interest you paid.

If the amount in the Forms are incorrect, you may correct it in your tax submission but you must nevertheless report it.

Tip #6 – Compile your tax submission properly

It pays to give attention to detail when compiling your tax papers. The IRS wants it to be filed this way – your return first, followed by Schedules in alphabetical order, ancillary forms in numerical order and finally plain paper submissions and footnotes. Also attach Forms W-2 where appropriate.

Tip #7 – Do not submit too much information

In your submissions, be concise, accurate and honest. But you do not have to disclose documents like sales agreements, bank statements or settlement agreements unless requested for by the IRS.

Tip #8 – Pay small bills

If you are billed small amounts, be sure to pay up without questioning. This is because it is not worth fighting with the IRS over small amounts. If you do so, you risk getting into the IRS system and having to disclose more of your financial affairs.

Tip #9 – Try not to amend your return

Again, the value of using software comes to the fore. If you wish to amend your return just to get a small refund, think about whether it is worth it because an amended return is reviewed much more than an initial return. So if you do not want to risk bigger problems arising from other matters in your return, it's better to let your return go without amendments.

Tip #10 – Apply your refunds to future tax years

If you are entitled to a refund, instead of asking for it in cash, consider applying it to future tax years. This will keep your profile low, reducing the chances of being noticed by the IRS.

One final thing to note is that there is no guarantee you will not be audited but if you bear in mind these 10 tips and make your returns in a truthful and accurate manner, you maximize your chances of escaping an audit.