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Reducing Chances of an IRS Audit by Tax Attorney serving 33608 (part 2)

In my previous article I highlighted 5 ways to reduce the possibility of a tax audit. Here are 5 more ways:

1. Avoid reporting an extremely low income several years in a row

The IRS has a database of the average incomes of hundreds of thousands of jobs. If you report an unusually low level of income for your profession, especially if it is done a few years in a row, the IRS gets suspicious. Although it might well be true that you earn less than the average income of a worker in your kind of job, this type of return might well trigger an audit.

2. Be sure to report all your sources of income

In recessionary times like now, it is not uncommon to have more than one source of income especially through doing freelance work. If that is your situation, you need to remember to report all your sources of income. The IRS receives the income records of every employee from their respective employer. Thus if your returns do not match what your employers report to the IRS, it will definitely result in an audit.

3. Avoid reporting a net loss from a small business venture, if possible

If you have a supplementary source of income, try to avoid using Schedule C, Profit or Loss for a Business to report it especially if you are not claiming any business-related deductions. Filing a Schedule C increases your chances of being audited. Reporting a net loss for your business will raise a red flag in the eyes of the IRS. Instead, you should report this source of income as a side-income (other income) in line 22 of your tax return.

4. Do not use e-filing or the IRS pre-printed address label on your tax returns

Electronic filing and using the IRS pre-printed address label will get your tax returns into the IRS process much faster and this also means getting into the audit cycle faster. If you can slow down the process, it might lessen the chances of an audit. But the downside of this is that not using electronic filing might slow down the process of your refund as well. So you need to consider the pros and cons of this move based on your own situation.

5. Use the address of a low-audited area

It is a fact that some areas or states are more highly audited. The rate of audits in Nevada is four times higher than Wisconsin, for example. If you own multiple homes or places of business or if you travel around a lot in your work such that you have the flexibility to use more than one address to report your taxes, choose one where the audit rate is lower. If you are not sure, check with a tax attorney like me.

In the midst all the fears surrounding tax audits, it is useful to know that the IRS generally has been focusing more of their audit efforts on the wealthy. This is especially so for those suspected of hiding their money in tax shelters. According to IRS Commissioner Doug Shulman, the average taxpayer has about a 1% chance of being audited compared to 5.5% for a millionaire.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.