

Egg Shell Audit – Advice from New Jersey Tax Lawyers

An [eggshell audit](#) sounds like something an accountant would eat for breakfast. However, it is one of the most dangerous situations for a person who has not retained a New Jersey IRS lawyer trained to deal with this sort of situation. Eggshell audits may end in large fines or even prison time.

Essentially, an eggshell audit is an audit in which the returns you have filed contain an understatement of income, an overstatement of deductions or something else that led to you—even by accident—paying less in taxes than you technically owed.

Even if, at the moment, the eggshell audit is a civil situation, IRS agents are trained to watch for signs of fraud and to refer anyone who seems to have fraudulent returns to the IRS's Criminal Investigation Division. Therefore, any audit in which you suspect there may have been an over-reporting, under-reporting or other inaccuracy to your benefit should be treated with the highest concern. In addition, if the IRS requests a previous tax return, this is a likely sign that an eggshell audit will occur. Specially trained agents who look for fraudulent transactions might examine your tax return and find out if you misreported information to your advantage.

Therefore, if you suspect an eggshell audit, it is necessary for you to hire an experienced [New Jersey IRS lawyer](#) immediately. A skilled lawyer will be aware of the signs that a civil investigation is turning into a criminal investigation, which can give you advance warning if you need it or reassure you if your fear is, in fact, just paranoia. Do not talk to your accountant or anyone else about your financial situation until you have received advice and counsel from a [criminal tax lawyer in New Jersey](#) who is capable of telling you what is likely to lead to problems for you later on. Accountant-client privilege does not apply to criminal investigations, so your accountant may be forced to tell the IRS everything you've ever told him or her.

It is necessary to decide, in consultation with your New Jersey IRS lawyer, whether you should cooperate in the audit. Of course, one shouldn't ever lie to an auditing agency; however, it is also important that the client's legal rights and privileges be protected from a possibly overreaching governmental agency. Careful practicing of the law can make the difference between a civil and a criminal penalty. The most important step, however, in dealing with an eggshell audit is not to panic. Your lawyer will be able to guide you through this harrowing process. Many people have dealt with eggshell audits and come out with only civil penalties or even no penalties at all. What matters is not the audit itself, but how you deal with it.