



Wood LLP

Tax Alert



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THE TAX LAWYER

Jan. 8 2012 — 7:43 am

When Tax Refunds Like Steinbrenner's Are Too Good To Be True

The fact that you receive a tax refund doesn't mean your return has been audited and approved. Yankees co-owner and managing partner [Harold Steinbrenner](#) found that out the hard way, being sued by the IRS over a \$670,494 refund. The refund was paid in 2009 and dealt with the Yankees' parent company for 2001 and 2002. See [Yankees Co-Owner Harold Steinbrenner Target of U.S. Suit Over Tax Refund](#). Isn't this Indian Giving? Not really.



Everyone likes getting tax refunds, but if you get a larger than expected refund, hold your horses. If it seems *too* large, don't cash it until you receive an explanation. If the refund is an error the IRS will want its money back, usually with interest. See [Getting A Tax Refund? Ten Things to Know](#).

My guess is Steinbrenner will have lots of legal arguments, but plain mistakes can be brutal.

Example: [Stephen McDow](#) was jailed for spending a generous \$110,000 refund the IRS erroneously deposited in his bank account. The refund was meant for a woman who had requested to have the

funds deposited in her Citibank account. She gave the IRS her old Citibank account number—not knowing it had been reassigned.

Refund Then Audit? Often, a refund will be processed but the audit will come later. Amended tax returns as in Steinbrenner’s case are even more vulnerable. The IRS generally has three years to audit.

According to the complaint, Steinbrenner paid his taxes and then filed an amended 2001 return seeking a refund. He claimed a \$6.8 million net operating loss carried back from 2002. The IRS paid the refund and later said the refund claim should have been filed by March 1, 2009, more than five months before it was. That means his case is going to turn on timing.

Always Watch the IRS Statute of Limitations. Timing is everything in tax matters. When the statute of limitations runs is a good question to ask about your tax returns. See [IRS Statute Of Limitations — Is Your Return Safe?](#) The IRS is pushing not only to audit you for the customary three years but to extend it to six in some cases via controversial IRS Regulations. See IRS Temporary Regulations, [T.D. 9466](#).

The U.S. Supreme Court in [Home Concrete & Supply v. U.S.](#) has [agreed](#) to decide if the IRS can go back six years into your tax past or only three. See [Supreme Court To Rule On IRS 6 Year Audit Push](#). Everyone who files a tax return should be watching that case.

For more, see:

[Ten Tips For Amending Tax Return](#)

[How To Get A Tax Refund](#)

[5 Ways To Receive Your Tax Refund](#)

[What If Your CPA Altered Your Tax Return Without Telling You?](#)

[How Will You Use Your Tax Refund?](#)

[Beware IRS Refund Time Limits](#)

[What Triggers IRS Statute Of Limitations?](#)

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