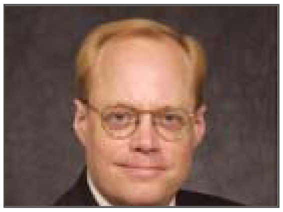
Forbes



Robert W. Wood

THE TAX LAWYER

TAXES | 3/19/2014

7 Ways To Cut Your IRS Audit Risk

No one wants to fight with the IRS. Theories for what triggers an audit abound, but you can take basic steps to reduce your chances. They may also make any interactions with the IRS less traumatic.

1. **Don't claim flaky deductions**. Don't be scared to take deductions to which you're entitled, but don't take tax positions you aren't comfortable defending. If you take reasonable tax positions, you'll likely find you won't end up needing to defend them. And if you do face an audit, it will likely be far easier. You can't predict the trigger (and you can drive yourself crazy trying), but be reasonable about every item on your return.

2. **Use a pro or software**. Is a return prepared by a professional less likely to be audited? Maybe, but there's little reliable data. Nevertheless, having a professional prepare your return–or at least advise on anything quirky–is a good idea. If you do your own return, using a commercial software. If the software produces a result you consider wrong, don't simply override it.

Anti-United States Internal Revenue Service symbol. Commonly used by tax protesters and tax reform advocates in the United States. (Photo credit: Wikipedia)

3. Check your math. Add, subtract and multiply accurately. Check your numbers and do simple math checks when you finish. This is another reason to use a software program.

4. Account for every Form 1099. Forms 1099 come in many varieties, including 1099-INT for interest, 1099-DIV for dividends, 1099-G for tax refunds, 1099-R for pensions and 1099-MISC for miscellaneous income. Regardless of how many Forms 1099 you receive, account for them on your return. One way to guarantee an IRS query is to fail to account for something. If a Form 1099 is wrong–say it reports more income than you had–you can explain or deduct it on the return, but you need to first report it.

5. Disclose just enough. Don't submit too much information. If your return is complex, you may need to add explanations or disclosures in footnotes. Be concise, truthful and accurate, but don't provide copies of sales agreements, settlement agreements, bank statements, etc., unless you are later asked by the IRS. Disclosures can be made on regular paper or special IRS forms, including IRS Forms 8275 and 8275-R. You shouldn't be filing a Form 8275-R–or taking a tax return position that would require it–without professional help.

6. Don't amend without thinking. Do not amend a tax return just to get a small refund. Amended returns are reviewed much more regularly than initial returns. If you forgot a deduction or otherwise think you can get a small amount back by amending, think twice before amending your return. Consider whether you might have bigger problems if other matters on your return, unrelated to the amendment, are reviewed.

7. Don't ask for your money back. If you are entitled to a refund, consider applying it to your next year's tax payments, rather than asking for the refund in cash. Keep a lower profile by applying a big refund to estimated tax payments for the current or future years. This logic applies to both initial returns and to amended ones.

Last Word? No matter how careful you are, there's no way to guarantee you'll never have a tax controversy. Sometimes your number just comes up.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.