



## Robert W. Wood

THE TAX LAWYER

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# Is IRS Extension Like Giving Burglars More Time Before Calling The Police?

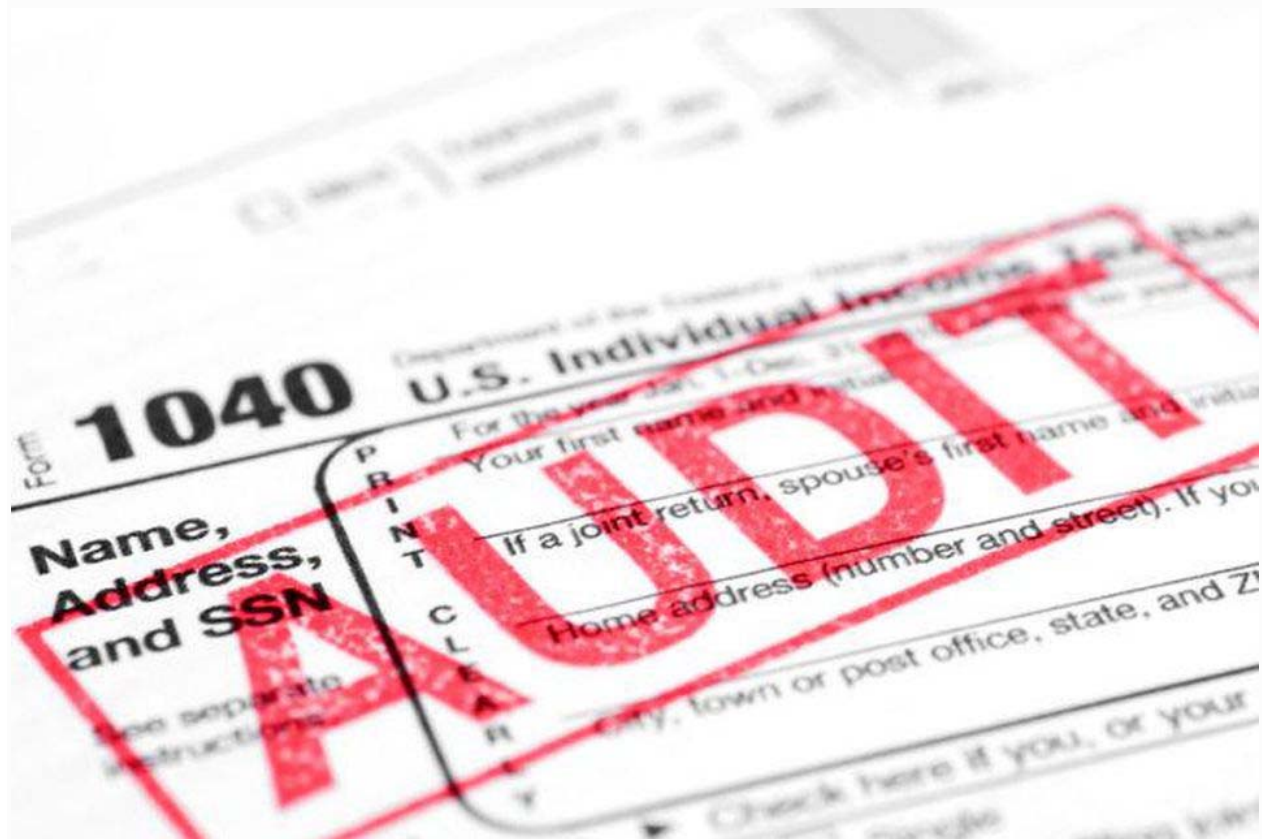
When you talk of tax extensions, you might mean one of two things. First, there's an extension IRS *gives you* to skip filing April 15 and to wait until October 15. Or, you might be talking about an extension that *you give* the IRS to audit you longer than the normal IRS statute of limitations. Giving the IRS more time to audit you?

Yes, that is what I said, and I admit that it may sound counterintuitive--if not downright crazy. It is not, as we will see. However, first, let's talk about the April 15 deadline, something millions of American taxpayers are thinking about right now. Few deadlines are more dreaded than the annual rush to April 15th.

Fortunately, everyone can get *six extra months* by filing (electronically or by mail) a tiny form that doesn't even require a signature. Instead of rushing to April 15 to file your taxes, you can go on extension. You may feel guilty when you get an automatic reprieve, but there's no shame in an extension. Millions

are processed every year. You need to pay what you owe--the extension is to file your return not to pay--but there are good reasons to take the extension.

Extra time can allow you to consider reporting alternatives, get professional advice, etc. Extra time can allow you to be sure you have Forms 1099, K-1, etc. And extra time can help avoid amended tax returns. If you rush to file, you may be more likely to have to amend later. Filing once, correctly, is better than filing twice. Amended returns are much more [likely to be scrutinized](#).



What about *giving the IRS more time* to audit you? Yes, the IRS may *ask you* for an extension. The IRS may say they need more time to audit you. Your first reaction may be what power you have. You may relish the thought of telling the IRS absolutely not! Even a routine tax audit can be expensive and nerve-wracking. So if the IRS [statute of limitations](#) has expired or is about to, it can be a trump card.

The IRS normally has three years to audit, measured from the return due date or filing date, whichever is later. But the three years is *doubled* if you omitted 25% or more of your income. Even worse, the IRS has *no* time limit if you *never* file a return. But you have to assume that if the IRS is asking you to extend the statute, the IRS is already monitoring you closely.

And for the most part, people usually do *voluntarily* give the IRS more time to audit. Why would *anyone* do that? It works like this. The IRS contacts you (usually about two and a half years after you file), asking you to [extend the statute](#). Most tax advisers say you should usually agree. If you say “no” or ignore the request, the IRS will assess extra taxes, usually based on an incomplete and quite unfavorable picture.

You might think that you could fail to say yes or no and that the IRS might forget about you. But this is something the IRS is very careful about. The IRS rarely misses issuing a Notice of Deficiency, and you usually will be worse off than if you agreed to the extension. There are exceptions to this rule, but relatively few. Get a professional to help you weigh your facts.

Usually, failing to give the IRS more time will make your case tougher and the result less favorable. It may not make sense, but it is usually true. Of course, all taxpayers worry about [IRS audit risk](#). And turning back to the April 15 extension the IRS gives you, some people worry that if you [go on extension, it increases IRS audit risk](#). There is no definitive data, but it seems unlikely. Some tax professionals even believe that going on the April 15 to October 15 extension actually *reduces* your audit risk. Not everything in the tax world is as it appears.

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