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More IRS Audits Coming Your Way

Like a trip to the dentist, no one looks forward to an IRS audit. Of course, some audits are more invasive than others. Any way you slice it, though, many more are coming. In fact, the IRS has outdone itself with a banner surge in audit rates.

According to the [IRS](#), the IRS increased audit rates by a whopping 34% between 2010 and 2011 for those with over \$200,000 of income. That's a sizable uptick in just one year. Of course, that doesn't mean you **will** be audited if your income tops this—or any other—level. Audit rates are still comparatively small no matter what your income.

In fact, even for the 2011 year, only 3.9% of taxpayers reporting over \$200,000 of income were audited. The rate went up 24% for those reporting over \$1M in income. A total of 12.5% of those \$1M plus taxpayers were audited. There's an understandable fascination with these figures, and the press has taken note:

- Wall Street Journal, [IRS Audits of High Earners Increase Sharply](#)
- Bloomberg, [U.S. IRS Audited Record Millionaires in Fiscal '11](#)
- Washington Post, [IRS Contacts 1 in 8 Millionaires Seeking Extra Taxes, Just 1 in 100 Earning Under \\$200K Yearly](#)



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Assume Everyone is Audited! It surprises some taxpayers that tax advisers are actually **required** by Treasury Department rules to **assume** every return will be audited. In truth, there might be only a [2% chance of audit](#). Nevertheless, tax lawyers and accountants must assume every one will be examined.

That impacts advice. See [Why Tax Opinions Are Valuable](#). When a tax adviser says there's a 50/50 chance a tax deduction will be upheld, he must assume it will be examined. Because of these [strict standards](#), it can be awkward to talk about [audit risk](#). No matter how sure you are of your return, you don't want to be audited. Nothing prevents you from trying to make it sail through as long as you fully and fairly complete it. See [10 Ways To Audit Proof Your Tax Return](#).

Unfortunately, there are many old wives' tales about what does and doesn't trigger an audit. See [Proprietors: To Avoid Audit, Avoid Schedule C](#). As you might suspect, how much income you have is only one factor. Your deductions matter, as do tax credits, and even which specific items you claim. As I wrote [here](#), huge numbers of returns are audited that claimed the earned income tax credit ([EITC](#)). By definition those are lower income returns, not exceeding \$35,535 (\$40,545 [married filing jointly](#)) with one qualifying child. See [EITC Income Limits, Maximum Credit Amounts and Tax Law Updates](#).

High income means you could stick out from the pile. Nevertheless, even with the recently released figures, it's not the whole story. Big numbers alone don't produce audits. See [Special IRS Audits Target Wealthy Elite](#). And that's so even if you are very wealthy. On that subject, the IRS has a special task force to audit the very wealthy. See [IRS Audit Risk If You're "Rich"](#).

For more, see:

[IRS Says Audit Rates Have Grown for the Wealthy](#)

[IRS 12 Times More Likely to Audit Millionaires Than the Rest of Us](#)

[Should You Give IRS Your QuickBooks?](#)

[Dear Lawyers: Get Ready For IRS Audits!](#)

[Richie Rich Tax Audits](#)

[Consider Tax Filing Status Carefully](#)

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