

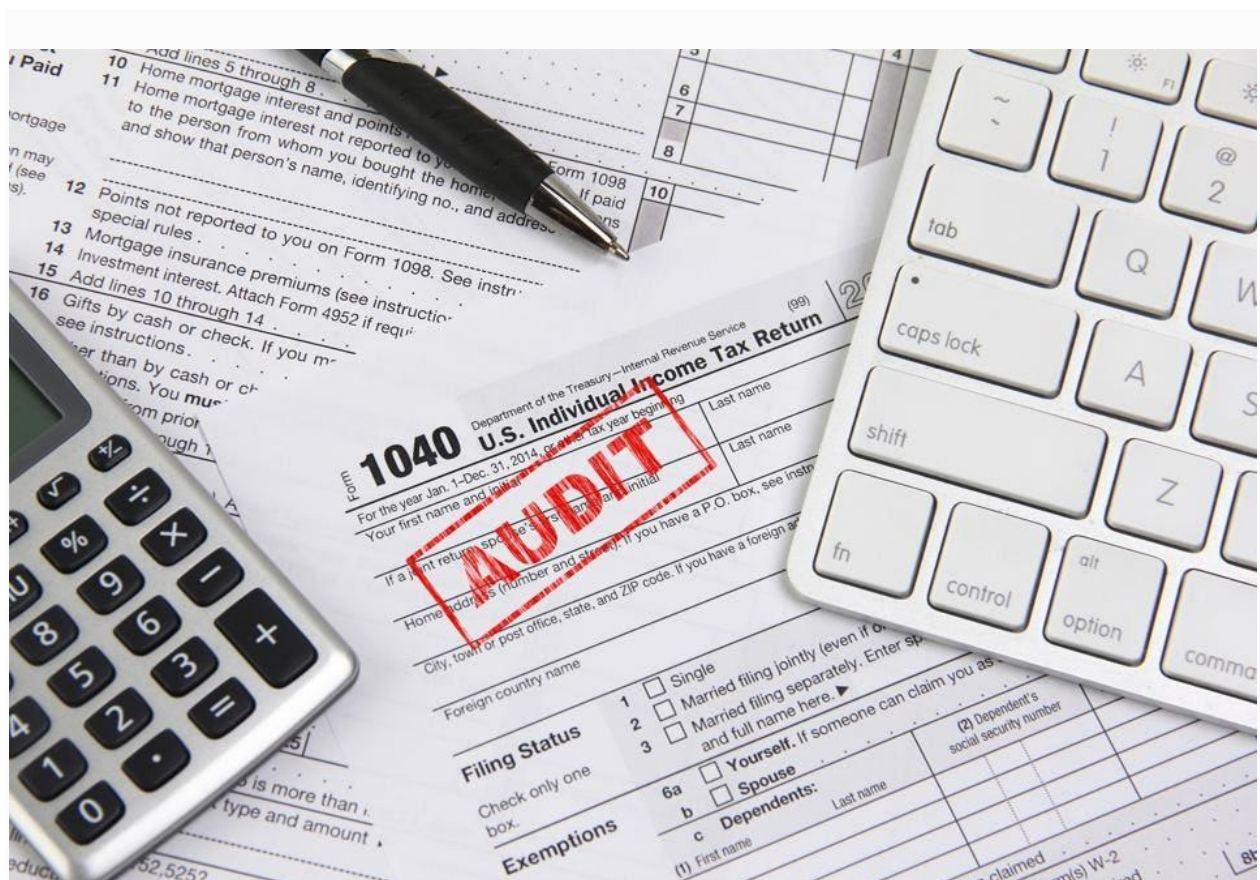


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If You Are Under Audit And IRS Asks For More Time, Should You Agree?



Giving the IRS more time to audit you sounds counterintuitive or even crazy, but it is not. During an audit, or in some cases literally as an audit is commencing, the IRS may ask *you* for an extension. The IRS may say they need more time to audit you. Your first reaction may be to 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 seem intoxicating to try to beat the IRS on this basis. Being able to tell the IRS it is too late, they are out of time to send you a tax bill, would be great.

Of course, it pays to know what you are up against in an audit, and how it can turn into a [an IRS dispute](#). The IRS normally has three years to audit, measured from the return due date or filing date, whichever is later. But this 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. These are some of the rules about the [IRS statute of limitation everyone should know](#).

But you have to assume that if the IRS is asking you to extend the statute of limitations, the IRS is monitoring you closely. The IRS is either already auditing you, or it is planning to audit. So 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 drag your heels and 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. But if you are in an audit, and the IRS needs more time, it is usually to your advantage to grant it. Sometimes, you can try to tweak the IRS request, such as by limiting the issues, or trying to limit the extra time the IRS is requesting. But this can be a delicate dance, and the IRS may stick tough on the extension they have requested.

Check out my [website](#).