



Surviving a Tax Audit!

Are you being audited by the Internal Revenue Service, Franchise Tax Board, State Board of Equalization, Employment Development Department, State Income Tax units, State Excise Tax, or State Sales Tax?

Take a deep breath. This does not mean you should be pushed around. Every taxpayer has rights and your rights need to be protected.

1. You can have an accountant, lawyer or enrolled agent admitted to practice in front of IRS to represent you at an IRS tax audit or other tax audits.

2. You have appeal rights in various tax collections such as tax liens, tax levies and seizures. If the auditor's tax decision is unsatisfactory, you may file an appeal; and if necessary, the next step is the U.S. tax court.

You should contact your C.P.A. immediately to review the audit notice and for further advices to see if a tax representation is necessary. Sometimes, a tax audit letter just requires a simple explanation or backup of documents that you can submit the records in writing and end the matter quickly.

By giving your accountant a power of attorney for the tax audit, you can be absent from the actual tax audit, provided that you don't receive a tax summons. This will give your accountant more time to respond to tax questions with the auditor and also a chance to confer with you on some issues. It is definitely a strategic advantage for you.

The key in dealing with any tax audit is to organize, organize and organize!

* Start collecting all relevant income and expense records and properly categorize them so that you can argue your side of the story. If you don't have the back up records, do the best you can to piece together your position on the income or expense schedules.

* Do not volunteer any additional information that is not requested by the auditor. Remember, "Loose lips sink ships".

* Only prepare information that is specified in the tax audit notice.

At the end of any tax audit, the auditor will cite any problems with the tax returns or notify you for any tax dues or with a no change status. No change status means that you owe nothing to the taxing agency. In some cases, you may even obtain tax refunds.

Tax audits can be risky but it is also an opportunity. Be prepared, organize, present your case and protect your rights. Hopefully, the government may wind up owing money back to you. If you need us to review your case or prepare you for an audit, contact us by e-mail or by telephone at 626-299-3722. Our next issue will talk about "How to avoid an IRS audit?"

For more info, please contact:

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