**I'm being audited by the IRS−Now what?**

**By Dorothy Griggs, EA**

**I'm being audited by the IRS−Now what? by Dorothy Griggs, EA**

How does the IRS decide who gets audited? The IRS uses a recently updated formula and scoring system to evaluate tax returns. If something seems out of whack− −like low income accompanied by extremely generous charitable contributions−−the return is flagged for a more in−depth look. Simple math errors do not warrant audits. What does warrant an audit are things like taxpayers forgetting to report a source of income or getting paid as independent contractors and forgetting to pay your Social Security tax.
There are two basic types of audits. The most common are by correspondence. The IRS may request further documentation by mail. You should send copies only and always keep original records in your files for at least three years, the amount of time the IRS can go back and audit a return. Keep in mind, the IRS may go back indefinitely if they suspect fraud.

The second type of audit is face−to−face. These occur when the amount of documentation requested by the IRS might be too large to handle by mail. In these cases the taxpayer must visit a local IRS office on a specific date.

AUDIT ADVICE−−1) Act promptly. The longer you wait to respond to an audit the more you can pay in interest and fines. 2) If you have a conflict with the date or need more time to get records in order, call and reschedule the meeting. 3) Be friendly when dealing with IRS agents. They might have leeway when it comes to accepting partial records and documentation. Being cordial can't hurt. 4) Be honest. On the other hand, don't volunteer any information that isn't asked for. 5) Carefully choose your tax preparer. Be sure he or she would be able to help you with an audit. And remember, if you sign a return you are taking responsiblity for that return. Blaming your accountant or brother−in−law won't help during the audit.

Dorothy J. Griggs is a licensed Enrolled Agent and has over 10 years of tax and accounting experience. Enrolled Agents are tax professionals licensed by the federal government to represent taxpayers and assist them with tax planning and tax return preparation. Dorothy is also a member of the National Association of Enrolled Agents. For more great tax tips, visit her website at http://www.avirtualaccoutant.com

**Tax Records − What You Should Keep And For How Long**

**By Richard A. Chapo**

**Tax Records − What You Should Keep And For How Long by Richard A. Chapo**

Many taxpayers are confused about how long they should keep tax records. The term "tax records" refers to your tax returns and the documents that support the information in the returns. These documents can include receipts, bank statements, 1099s, etc. If you are one of the unlucky few to be audited, these records will be vital to fending off the IRS.

Tax Returns

To protect yourself from a nasty audit, you should keep all of your tax returns indefinitely. The IRS has been known to lose or misplace tax returns. While conspiracy advocates argue that this is evidence of a nefarious scheme, the simple fact is that the IRS receives millions of returns over a three−month period and lost returns are inevitable. So how do you protect yourself? You keep copies of every single tax return.

A quick word on the IRS e−file program. If you file your returns electronically, make sure you get copies from the company that filed your return. All such entities are required by law to provide you with paper copies.

Records Supporting Tax Returns

You should keep supporting tax records for a period of six years from the date the returns were actually filed. In general the IRS only has three years to audit you from the filing date. For example, if you filed your 2000 tax return on April 15, 2001, the IRS would have to start an audit by April 15, 2004. Keep in mind that if you filed an extension, the IRS will have three years from the date you submitted the return. As is always case with taxes, there are exceptions to this general time period.

If your tax return looks like the great American novel, the running of the three−year audit period may not save you. Failure to report more than 25% of your gross income gives the IRS an additional three years to pursue you. Using the previous example, the IRS would have until April 15, 2007 to

audit your 2000 tax return.

Property Records − Get A Filing Cabinet

You may need to get a filing cabinet if you hold property for an extended period of time. For example, assume that you purchased a home in 1980 for $100,000 and made $50,000 in improvements over the years. You need to keep the purchase records, mortgage statements and receipts that relate to the improvements. When you sell the home, you will need the records to determine the tax consequences of the sale, to wit, your basis (original cost plus improvements) and profit. If the IRS decides to take a closer look at the reported profit, you will need to provide your tax records to support your claims. Once you actually sell the property, it is recommended that you keep all of the tax records for an additional six years.

Divorce

Make sure you keep copies of all of your financial documents, tax returns and supporting documents if you get divorced. You should also keep copies of all divorce agreements and court orders that cover property and financial issues. When couples divorce, the tax and credit consequences can be nightmarish. If you don't keep records, you will have to ask your ex−spouse for them. Get the records now to avoid doubling your misery!

Hopefully, you will never need to show your tax records to the IRS. If you are one of the unlucky few that is audited, your tax records should keep your feet out of the fire.

Richard Chapo is CEO of http://www.businesstaxrecovery.com − Obtaining tax refunds for businesses by finding overlooked tax deductions and credits through a free tax return review.


**This Free E−Book has been brought to you by *Natural−Aging.com*.**

## 100% Effective Natural Hormone Treatment

**Menopause, Andropause And Other Hormone Imbalances Impair Healthy Healing In People Over The Age Of 30!**