

**Tennessee Society of CPAs**  
201 Powell Place  
Brentwood, TN 37027  
1-800/762-0272  
Visit our Web site at  
[www.tscpa.com](http://www.tscpa.com)

**FOR IMMEDIATE RELEASE**  
Mon., Mar. 2, 2009

**CONTACT:**  
Lindsey Deweese  
Public Relations Coordinator  
[ldeweese@tscpa.com](mailto:ldeweese@tscpa.com)

## **AVOIDING A TAX AUDIT**

**BRENTWOOD, Tenn.** – All taxpayers dread the prospect of facing an Internal Revenue Service audit. There are some steps you can take to minimize the likelihood that you'll be audited or to ensure a more positive experience if you are, according to the Tennessee Society of CPAs.

### **WHAT'S IT ALL ABOUT?**

In an audit, the IRS contacts the taxpayer to verify some of the information contained in a filed tax return. The process usually involves a very careful examination of the return. The IRS is becoming more active in enforcement actions. In 2007, the IRS audited nearly 1.4 million individual tax returns, the highest rate since 1998. Audits of businesses jumped 14 percent, to just under 60,000. Among other reasons, the IRS is trying to reduce the tax gap - the difference between taxes owed and taxes actually paid - which the agency estimates is roughly \$290 billion.

### **ACCURACY COUNTS**

How can you avoid being targeted for an audit? One easy answer is simply to turn in a tax return that is as accurate, neat and well organized as possible. If your math is wrong or some details are missing, you will find yourself contacted by the IRS. You may not necessarily end up being audited, but it's best if your return doesn't attract added scrutiny.

### **CHARITABLE DONATIONS**

Don't take a deduction for a charitable donation unless you have documentation to prove you made it, such as a confirmation letter from the charity. Your return may be scrutinized in particular if you have donated a great deal - more than 10 percent of your income, as a ballpark figure - or if you have given away a big-ticket item, such as a car. In general, you must obtain an

appraisal for a non-cash item worth more than \$5,000. Of course, there's no reason to stop being charitable, but be sure to document what you have done.

### **HOME OFFICE DEDUCTIONS**

This is another deduction that may raise red flags at the IRS. The answer once again is to keep detailed records of your expenses; particularly those that the IRS may believe are really personal items that you are trying to claim as business expenses. You may also be called on to verify the necessity of a home office.

### **TRAVEL AND ENTERTAINMENT DOCUMENTATION**

In addition to charitable contributions and home office expenses, other red-flag areas include travel and entertainment deductions. With that in mind, be sure to keep records of the expenses and the purpose of your business trip. For entertainment, in addition to keeping the receipt, make notes of who you entertained, where you went, how much you paid and what was discussed. This documentation won't prevent an audit, but it will help you make your case if you are audited.

### **KEEP COOL**

If you are contacted about an audit, CPAs advise that you try not to panic. Remember that you are not going on trial, you're simply being asked to back up some of the claims you made on your tax return. It's best to remain calm and cooperative in your dealings with the IRS.

### ***About Money Management***

*Money Management* is a weekly column on personal finance prepared and distributed by the Tennessee Society of Certified Public Accountants (TSCPA) as a part of its financial literacy initiative.

Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit [www.tscpa.com](http://www.tscpa.com). TSCPA is headquartered in Brentwood, Tenn.

###