

## Tips & Traps

### IRS Tax Audits and Audit Appeals

1. Request (or review if already received) Information Document Request (“IDR”) , form 4564.
2. Obtain documents, ledgers and other related substantiation from client.



3. Do a “mini” audit with at least one staff member to estimate what results the audit will yield (it is important to have this leverage prior to negotiating with a Revenue Agent).
4. Have a staff person (preferably on the power of attorney but not necessary) meet and greet the auditor first.
5. Do not be available for the first 30 minutes of the audit. If possible, more time is preferred.
6. Guide the auditor to examine the best documented items first. Do this regardless of which order the auditor requests documents.
7. Meet and greet the auditor, apologize for being detained and ask if your staff person got him or her started okay.
8. Ask if he or she requires additional documents and leave the room to obtain them. You do not want to “hang out” with the auditor.
9. Try and “size up” your auditor using cultural intelligence.
10. Know when to tell the Revenue Agent to stop sending additional IDR’s (typically more than 3 are too many).
11. Negotiate with the Revenue Agent but understand their limitations. Do not be disappointed if the auditor provides an unfavorable result. You can still remedy this via the appeal process.
12. If you want to appeal the audit findings, be on the lookout for the 30-day and 90-day letters.
13. Consider appealing the Revenue Agent’s findings to their manager. Understand that this is done to show you considered all possible avenues more than to expect the manager to make significant changes.
14. By taking an appeal to a higher level (appeals officer) you are more likely to have the person reviewing your case consider items other than the merits of your case such as the hazards of litigation.
15. Consider filing a petition in US tax court. These cases almost always settle. Weigh the costs with the opportunity to lower your client’s proposed assessment knowing a settlement will most likely be offered.
16. Remember you only have 90 days from the date of the Notice of Deficiency to file a petition with the tax court.
17. If an audit is deemed “final”, with some exceptions you may prepare and submit an offer in compromise, doubt as to liability to get a second bite at the apple. This works out well when a client’s initial representative fails to make a decent case or even show up to an audit.
18. Keep in mind that you may not submit an offer in compromise as stated in item 17 above if you have filed a petition with the US tax court.
19. If you are looking to expedite the appeal process consider requesting Fast Track Settlement or Fast Track Mediation.