

Changing Venues With the IRS



CPAs and Consultants

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WERNER, O'MEARA & CO

**19109 36th Ave W Suite 213
Lynnwood, WA 98036**

Phone: 425-774-8888

Fax: 425-774-4834

Email: admin@werner CPA.com

Time was when you received an IRS audit notice that you gathered up your documentation and headed on down to the Federal Building to talk to an auditor. About ten years ago the budget for audits was reduced and fewer taxpayers were called upon to produce their records. Now, congress has become alarmed by haphazard enforcement and lower audit numbers. In response, the IRS has been given significantly more budget in the last four years and orders to step up their enforcement efforts.

Unfortunately the IRS has chosen to increase its audit efforts by expanding audits out of centralized service centers such as those in Atlanta, Dallas and New York. An IRS audit today is likely to arise when a taxpayer's deductions are significantly greater than average. Deductions that are especially targeted are medical, taxes and business expenses. Worse however is the newly adopted practice by the IRS of sending out notices from a far away service center disallowing a taxpayer's deductions and giving them 30 days to provide documentation. There is no provision for a face-to-face interview, nor is there a way to provide explanation for the documentation provided. It seems that only complete, copious documentation coupled with very clear explanations which total directly to the numbers on the tax return will pass muster.

Also, as in times past, once a taxpayer has deductions denied at audit, their only choices are to go to appeal, offer in compromise provisions, or court. These avenues have become considerably more crowded and in all cases the local Seattle offices have shrunk.

Your accountants at Werner, O'Meara & Company are working at being able to respond to this new IRS regimen. The key defense continues to be careful and complete record keeping, documenting all deductions. Prompt and complete responses to all IRS notices are more important than ever. Although these new procedures are very frustrating, they are how business is being done at the IRS. If you do receive any correspondence regarding your taxes, immediately call your accountant and we will do all we can to obtain the best tax answers in today's environment.

~ Roger Werner