

WHAT TO EXPECT IN AN AUDIT

As 2023 unfolds, we are already seeing a slight uptick in federal corporate and small business tax return audits. Audits, or exams as they're known within the accounting world, can come from the federal, state, local, or municipal level. In all instances, the burden of proof lies on the taxpayer.

How Federal Tax Returns Are Selected for An Audit

The IRS uses several elements to determine whether to audit a tax return, including:

- Computer Scoring.
- Participants in tax avoidance transactions.
- Information Matching.
- Related Exams.
- Other: local compliance projects, return preparers, market segments.
- Random selection

Types of Audits

If your return is selected, it will undergo one of these types of exam:

- No IRS Contact Audits — The tax returns are reviewed based solely on

information already available to the IRS.

- Correspondence Audits — Generally less intrusive, these exams are typically conducted via mail with minimal phone contact.

- Office Audits — The IRS will obtain more information about the taxpayer using agency records and other resources, all prior to the exam, which will focus on "selected areas" of the return.

- Field Audits — The most comprehensive of exams, this is performed in the field. Each line of the tax return could be reviewed, and the taxpayer will need to provide substantiation.

It is important to know that the IRS will correspond with you by US mail. They will never contact you by phone (not initially; phone calls may happen once an exam process has begun), email, or text message.

One source, many services, the right decision.

If you have more questions about what to expect in an audit, please view our recent presentation at <https://bit.ly/CanonExam>.

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