



What if You Get Audited?

What the I.R.S. looks for and why.

Provided by Cornerstone Wealth Management

“Audit” is a word that can strike fear into the hearts of taxpayers.

However, the chances of an Internal Revenue Service audit aren't that high. In 2017, the I.R.S. audited 0.5% of all individual tax returns.¹

Being audited does not necessarily imply that the I.R.S. suspects wrongdoing. The I.R.S. says that an audit is just a formal review of a tax return to ensure information is being reported according to current tax law and to verify that the information itself is accurate.

The I.R.S. selects returns for audit using three main methods.

Random Selection. Some returns are chosen at random based on the results of a statistical formula.

Information Matching. The I.R.S. compares reports from payers – W-2 forms from employers, 1099 forms from banks and brokerages, and others – to the returns filed by taxpayers. Those that don't match may be examined further.

Related Examinations. Some returns are selected for an audit because they involve issues or transactions with other taxpayers whose returns have been selected for examination.

There are a number of sound tax practices that may reduce the chances of an audit.

Provide Complete Information. Among the most commonly overlooked information is missing Social Security numbers – including those for any dependent children and ex-spouses.

Avoid Math Errors. When the I.R.S. receives a return that contains math errors, it assesses the error and sends a notice without following its normal deficiency procedures.

Match Your Statements. The numbers on any W-2 and 1099 forms must match the returns to which they are tied. Those that don't match may be flagged for an audit.

Don't Repeat Mistakes. The I.R.S. remembers those returns it has audited. It may check to make sure past errors aren't repeated.

Keep Complete Records. This won't reduce the chance of an audit, but it potentially may make it much easier to comply with I.R.S. requests for documentation.

Remember, the information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult legal or tax professionals for specific information regarding your individual situation.

Marketing Pro, Inc. Disclosure

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Cornerstone Wealth Management Disclosure

Information throughout this article, whether investment specific, charts, citations, or any other statements regarding market or other financial information, is obtained from sources which we, and our suppliers, believe reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. The information and opinions contained in this website are provided by CWM for personal use and informational purposes only and are subject to change without notice. Nothing contained on this website constitutes investment, financial, legal, tax or other advice or is to be relied on in making an investment or other decision. Nothing on this site should be interpreted to state or imply that past results are an indication of future performance.

Citations.

1 - irs.gov/statistics/enforcement-examinations [1/30/19]