

# Handling Tax Audits

This playbook outlines the steps necessary to effectively prepare for and respond to a tax audit. It provides guidance on what to expect during the audit process and how to handle inquiries from the IRS.

## Step 1: **Notification**

Review the audit notification from the IRS carefully to understand which tax year is under audit, the scope of the audit, and the deadline for responding.

## Step 2: **Documentation**

Gather all relevant financial documents, receipts, and records for the tax year(s) in question. Organize them by category and date for easy reference.

## Step 3: **Representation**

Consider whether to hire a tax professional, such as a CPA or a tax attorney, to represent you during the audit. They can provide guidance and support throughout the process.

## Step 4: **Preparation**

Review your tax returns for the year(s) being audited and understand the items that are being questioned. Prepare explanations and documentation to support your tax positions.

## Step 5: **Response**

Respond to the IRS audit notification by the given deadline. Confirm your agreement to the audit and include any initial explanations or documents as requested.

## Step 6: **Meeting**

Attend all scheduled meetings with the IRS. Ensure that you or your representative bring all necessary paperwork and are prepared to answer questions regarding the tax return.

## Step 7: **Follow-up**

After the audit meeting, respond promptly to any additional information requests from the IRS. Keep copies of all correspondence and documentation exchanged.

## Step 8: **Resolution**

Review the final audit report from the IRS and understand the outcome. If you agree with the findings, sign the report. If you dispute the results, consider your options for appeal.

# **General Notes**

## **Records Maintenance**

Keep all tax records for at least seven years, as audits can be conducted for returns filed within the last three to six years.

## **Timeline Awareness**

Be aware of the statute of limitations for tax audits. Generally, the IRS has three years from the date you filed your return to audit; however, there are exceptions for substantial errors.

## **Rights Understanding**

You have rights as a taxpayer during an audit, including the right to privacy and the right to challenge the IRS's findings. Familiarize yourself with these rights via IRS Publication 1, 'Your Rights as a Taxpayer.'

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