

HOW TO BE AUDIT-PROOF

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HOW TO BE AUDIT-PROOF

If you're in business, you have around a 1 in 100 chance of being audited by the IRS. If you run a business from home, your chances go up about four times. As long as you keep your books in good order, though, an audit is nothing to be scared of. The IRS won't audit you just to harass you. They just want justification of certain items on your tax return. There are two important things to do if you get audited, though, that can protect you and your business from undue problems.

When the IRS notifies you that you will be audited, they will give you the choice of having the audit meeting at the IRS office, or your office. **ALWAYS HAVE THE AUDIT TAKE PLACE AT THE IRS OFFICE!** Many business people think that they should have the audit in their own office, so they feel more comfortable. This is the **WRONG** thing to do. If you let the IRS agent into your office, you have given him or her the opportunity to view your whole operation. They will definitely be looking for other things to question you about, besides the original audit item. If you have the meeting at the IRS office, it forces the agent to focus on the original item.

The second thing you should do goes along with the first. When you go to the IRS office, **THE ONLY PAPERS YOU SHOULD TAKE WITH YOU ARE ONES DIRECTLY CONNECTED TO THE POINT OF CONTENTION!**

If the IRS has a problem with a certain deduction, say travel expenses, take the receipts that will back up the deduction, **AND NO MORE!**

If you take your complete set of business records, the agent is sure to take some time "looking for backup information" for your deduction. In reality, they will be looking for other, unrelated items that don't "look right." If you have the meeting in your office, they have every right to look through your files for the same things.

In other words, the smart thing to do is only give the IRS access to information regarding the items they are auditing you for. They will let you know the reason for the audit beforehand. This gives you the knowledge you need to protect yourself and your business from audit nightmares.