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Tax time tutorial: Advice on IRS audits from Long Island CPAs

BY JARED SCOT, LIBN CONTRIBUTING WRITER (https://libn.com/author/jared-scot/) // March 21, 2024 // 4 Minute Read

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As spring draws closer, every business, from the smallest shop or service provider—to the largest enterprise—partakes in the ritual of preparing their taxes. Although many consider filing their taxes a mundane task, the daunting possibility of being audited can turn tax time into a nightmare. Fortunately, for those on Long Island facing an IRS audit, knowledgeable accounting professionals are just around the corner, ready to handle even the toughest of tax issues.

Perhaps the surest way to escape increased scrutiny from the IRS is to take preventative measures aimed at avoiding the possibility of an audit altogether. Although accountants say there isn't a surefire way to avoid being audited, they offer some key advice for businesses to follow.

"Businesses can avoid audits by having a professional prepare their tax returns," says Jed Dallek, a partner at Citrin Cooperman in Woodbury. "Returns are getting more complex every year. The IRS uses computer scoring to assess whether certain items of income or deductions are within a statistical average, [based on] the IRS' past experience with similar returns."



JED DALLEK: 'Often, an IRS audit can be resolved with simple correspondence or additional documentation. Don't panic, and avoid assuming the worst.'

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Dallek also cautions against businesses claiming excessive deductions via bonus depreciations. “Partnerships that claim bonus depreciation from a cost segregation study should provide extensive details,” he says. “Although these deductions are legitimate, they often stick out like a sore thumb because the amounts are statistically larger than the norm.”

Karen O’Connor, a tax partner at **Marcum** LLP in Melville, advises that companies should do their due diligence and hire trusted advisors to guide and explain the tax rules. “We encourage all businesses to understand the tax positions you take on your tax returns and your risk,” she said.

Every tax professional stresses the importance of being thorough, and respecting IRS deadlines. “[Businesses] should file all returns and make payments appropriately and timely,” says Kerry Santopietro, a tax principal at UHY Advisors. “They can avoid audits by properly following the tax regulations and established guidelines.”

However, even prompt, thorough tax filing sometimes isn’t enough to avoid an audit. In such cases, those who seek the expertise of tax professionals will find that their intuitive understanding of the auditing process can offer valuable peace of mind.

Accountants agree that no one should ever deal with an audit on their own. Santopietro advises that a business receiving an audit should contact their accountant and grant them power of attorney, allowing their accountant to represent them. “They should ensure that the accountant has access to their books and records so that they can respond to the auditor timely and efficiently,” she says.

Allowing one’s accountant to communicate with the IRS is highly recommended, according to Dallek.

“A business [facing an audit] should contact their accountant immediately and engage them to respond on their behalf.” Dallek says. “An engagement letter between the business and the CPA should be signed by both parties to avoid any misunderstandings.”

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Tax professionals are also prepared to offer guidance for clients who choose to respond directly to the IRS, explains O'Connor. "Depending on the situation, we can either be engaged to help lead the audit with the client, or be utilized from a consulting perspective by assisting with proper responses to their requests," she says.

Once the correspondence is established, transparency is key. "Respond to the notice in a timely manner," says O'Connor, "and prepare responses to all the documentation they request, doing so in a neat and easy-to-follow format."

And it's not always a long, drawn-out process.

"Often, an IRS audit can be resolved with simple correspondence or additional documentation," Dallek points out. "Don't panic, and avoid assuming the worst."

Dallek describes how the auditing process unfolds. "An IRS agent will send an information document request seeking additional information and documents to support items reported on a tax return," he says. "I always try to give them as much documentation from the start to show that the taxpayer's tax returns are correct and complete."

Auditors will often ask to set up in-person appointments. "The IRS will insist on a face-to-face meeting with the taxpayer as the last step to close out any exam," Dallek says. "This should be done at the CPA's office — never at the client's office."

Approaching an audit requires professionalism and courteousness, says Santopietro. "Auditors are people too, and they are just doing their job," she explains. "The number one rule is to always be upfront and honest. If you are aware that something was done incorrectly, then you should establish that right away to the auditor; this will certainly help in the end."



KERRY SANTOPIETRO: 'The number one rule is to always be upfront and honest. If you are aware that something was done incorrectly, then you should establish that right away to the auditor; this will certainly help in the end.'

Recent changes to IRS rules have made reporting taxes more complex, along with establishing new requirements for certain businesses. "There has been a notable shift in the IRS' approach towards ensuring compliance and oversight," Dallek says. "The IRS is beginning to use artificial intelligence along with their statistical analysis to catch non-filers and taxpayers who cheat. Furthermore, the IRS has placed an emphasis on scrutinizing specific areas and industries, including the private use of airplanes, to ensure fairness and compliance."

Tax professionals warn that adhering to the new rules may make filing take longer, which underscores the importance of staying organized. "The laws become more and more complicated each year," says Santopietro. "The deadlines have not changed, but the required information to be included on returns has increased, which makes preparing much more difficult in the same small period of time."

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