

Title:

IRS Auditing

Word Count:

404

Summary:

An IRS audit can be daunting for any business, regardless of size. But what can you do to make the process as straightforward as possible?

Keywords:

finance, tax, irs, auditor

Article Body:

Everyone hopes that they will never have to endure an audit from the Internal Revenue Service (IRS). On the downside, there is a good chance that sometime in your life you will be audited. However, there are a few things you can do to make the process a little easier. It is all about preparation and organizing.

1: Keep all of your receipts to hold proof of all the deducted expenses and purchases you have claimed.

2: Keep all of your checks based on the order in which they were paid. In the memo, ensure that you include something clear that will not be confusing to the auditor.

3: Do not deduct capital items as repairs. Auditors may want you to provide proof that checks containing large amounts are for repairs and not capital purchases. Some say it is better to write several smaller checks than one large check.

4: File and keep all of your forms. This includes W-2 forms, K-1's, 1099's, and other types of informational returns.

5: Use terminology that is proper in all of your accounting entries. Ensure that everything is descriptive and accurate. Short phrases such as "labor" and "gift" should be avoided.

6: If possible, write checks for specific items rather than one large bill. Try to avoid lumping purchases into one purchase.

7: Write checks for all of your charitable contributions. Cash donations should

be avoided and auditors do not smile on such a thing.

8: When buying capital items, such as machinery, make sure you place them in your capital purchases as well as on your depreciation schedule. Avoid listing them as repairs. All items that have a useable life of over one year are considered a capital item.

9: Make sure you have an organized filing system. This will help you get through the audit if you can find the things that are asked for more quickly.

10: Try to keep a journal on all transactions that may be hard for the auditor to understand throughout the year. It is hard to remember why you made specific purchases one or two years after the matter.

11: When being audited, only give the auditor what they ask for and never more. Auditors are trained to dig as deep into your business as they see fit. If you give them more than they ask for, they may find other small things that may bring up other issues that they may not have been thinking of enquiring about.