

# What to Expect From an IRS Audit

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PUBLICATION VOLUME 1.1



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# There are Important Facts You Need to Know Up Front ...

## **You Should Never Communicate Directly With the IRS**

The IRS will begin by requesting specific information for the audit. Many taxpayers believe it is in their best interest to cooperate fully with the IRS and attempt to get on their auditor's "good side." Well-meaning taxpayers provide far too much data and information that can be used against them by auditors to enlarge the scope of the audit. Oftentimes, this will ultimately increase the amount of taxes, penalties and interest owed at the end of the audit. You have the right not to incriminate yourself.

## **You Are Guilty Until Proven Innocent**

Under U.S. law, the taxpayer has the burden of proof. The IRS is presumed to be correct, and you must assert and defend your rights, including ones you were unaware you had. You must also be able to substantiate the information you have provided and demonstrate that you have followed all rules."

## **The IRS Doesn't Settle Audit Tax Debt for Pennies on the Dollar**

There is a pervasive myth that the IRS settles tax debt for a fraction of what is owed. This is simply not true—especially in the case of an audit. The IRS has targeted you because it believes your audit will generate a substantial amount of money for the U.S. Treasury.

## **The Attorney-Client Privilege Provides Important Legal Protections**

The "attorney-client privilege" is a solid protection that can only be provided to you by a tax attorney. This legal right protects information you share to your attorney, as well as communications and work-related notes and files. A tax specialist, Enrolled Agent, or even a Certified Public Accountant (CPA) cannot provide you with this protection. (See page 4.)





# The Process of an IRS Audit

**Letter of Notification**

**Contact Allen Barron for Free Consult**

**Meeting With the IRS**

**Additional Information**

**Negotiations**

**Notice of Determination**

**Appeal**

**Tax Court**

## **An Invaluable Shield for an IRS Audit: The Attorney–Client Privilege**

There is a substantial protection that we extend to our clients for their audit with the IRS: the “Attorney–Client Privilege.” This protection is not available to you from a CPA, tax accountant or other preparation group. The IRS can and will subpoena all of the information, notes, forms, files, emails and texts between you and your tax preparer. The attorney–client privilege is a strong and proven legal shield that protects our conversations, as well as the information you share with us as we prepare for and defend you during the audit.

This important protection allows you to freely communicate with us in a way that you could not with a CPA, accountant or other tax specialist.

Allen Barron is uniquely prepared to provide all of the tax expertise, accounting and legal advice you will need to come through your audit in the strongest position possible. We take as much of the burden off of your shoulders as is possible, providing the strongest legal protections afforded by law while guarding your interests and limiting your exposure.



# **Tips to Prepare for Your Meeting with the IRS**

## **Where is the IRS Headed?**

The IRS has a plan for your audit. You have been targeted because your return contained one or more IRS audit flags and the amounts entered on your tax return were outside of a statistical bell curve applied to other tax return submissions.

We want to understand what the IRS is really looking for, and where its agents intend to head with your audit.

## **Goal: Answer With Enough Force and Points in Law so the IRS Will Not Go Back to Prior Returns**

The IRS has provided an initial request for what the auditor is looking for, and nothing else. At Allen Barron, we anticipate where the IRS is headed and review the associated information in your tax return(s). We prepare an answer that communicates strength to auditors, while keeping them within the limits of their rights under US tax laws. We handle all communication with the IRS on your behalf.



# MYTH: All IRS Revenue Officers are Tax and Accounting Experts



## The Quality and Experience of Your IRS Revenue Agent Will Have a Profound Effect on the Outcome of Your Audit

Not all IRS revenue agents have the same level of experience, tax knowledge, or accounting backgrounds. Most revenue agents have no practical business experience, and the vast majority do not have accounting degrees. While they obviously have an understanding of U.S. tax law, most IRS revenue agents are not necessarily experts on the application of tax laws or business accounting.

If your personal return(s) are the subject of an audit, many aspects of your tax return are rooted in deductions and expenses that are business related. It is often necessary for our attorneys to explain to agents the fundamentals of accounting and the application of federal tax laws to values or calculations within your return.

**Note:** *The success of your audit has a lot to do with how your information is received by the IRS agent, and more importantly, how it is interpreted.*

## What You Say Can Call Everything Into Play

Many of our clients are surprised that they are not required to answer every question asked of them by the IRS. There are some questions you should not answer, and that the IRS does not have the right to ask.

Many questions are an attempt to expand upon the scope of the inquiry, or to create an excuse to go back further into prior years. You have rights, and there are laws to protect taxpayers like you.

One example is a form that asks you to authorize an extension of the statute of limitations. This is almost **never in your interest**, and is an example of how the IRS manipulates unwary taxpayers.

**You Have the Right Not to Incriminate Yourself.**

# The Process of an IRS Audit





# Key Points About the Audit Process

**Attorney–Client Privilege** protects the clients of Allen Barron from IRS subpoenas, allowing you to openly share important information and participate in full and candid communications without fear of self-incrimination. No other accounting or tax professional can provide the protections of the attorney–client privilege.

**Responses to the IRS** must be carefully crafted to provide necessary information without providing additional detail that opens the door to “audit creep” or look-back into previous years that would otherwise be unwarranted. The experienced professionals at Allen Barron discern the intentions and strategies of the IRS prior to providing any information that is either unwarranted or unrelated to the issues of the audit. We hold the IRS auditors in check.

**We Handle All Communications with the IRS** so that you do not have to worry about conveying unnecessary information that can be used against you at a later point in the audit. We are with you every step of the way providing sound advice and peace of mind.

The IRS regularly asks taxpayers to **Extend the Statute of Limitations** for the audit. In some cases this is a good strategy for both the IRS and the taxpayer as we negotiate areas of disagreement and continue to add important information to the “record.” In many cases it is not in the taxpayer’s interest to extend the statute. Many taxpayers are simply too intimidated and unprepared to stand up to the IRS and deny this request by the auditor.

The cycle of **Communication and Negotiation with the IRS Revenue Officer or Agent** can extend for quite some time. It is important to ensure that all relevant and accurate information is captured in the IRS audit files to preserve all future options and to increase the likelihood of success if the results of the audit are appealed.

Outside of appeals, once the **IRS Notice of Determination** is issued, the door to provide information and protect your interests as our client will close. All information and documents relevant to your returns, accounting and procedures must be part of the IRS audit file prior to this issuance to provide maximum opportunity for success upon appeal.

If the taxpayer is not satisfied with the findings in the IRS Notice of Determination an **Appeal** must be timely requested, and this results in an **IRS Appeals Hearing**. Without an appeals hearing there can be no appeal. The experienced attorneys at Allen Barron are often in contact with the IRS audit manager and appeals staff during the negotiation phase of the audit. This allows us to achieve better results for our clients during the audit itself, and provides a strong foundation should our client wish to appeal the result.

The final option for a taxpayer during or after the appeals process is to file suit in the **U.S. Tax Court**. The odds of success at this level are not in the taxpayer’s favor; however, our attorneys are experienced with Tax Court procedures and case law, which will help you achieve ultimate victory or a better outcome.

Uniquely Positioned to Provide All Tax, Legal and Accounting Services  
to Ensure the Best Possible Outcome in Your IRS Audit





## Remember:

- ▶ You Should Never Communicate Directly with the IRS
  - ▶ You are Guilty Until Proven Innocent
- ▶ The IRS Doesn't Settle Audit Tax Debt for Pennies on the Dollar
- ▶ The Attorney-Client Privilege Provides Important Legal Protections

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