

Handling IRS Audits - 5/1/2002

by [Sandy Botkin](#)

by Sandy Botkin, CPA, Esq.

Tax Tip

By Sandy Botkin CPA. E.S.Q.

Forthcoming article will deal with various tips, tricks, and techniques in dealing with the IRS. One of the biggest misunderstandings, however, deals with the time limits that IRS has to audit you. Generally, IRS can only audit your return for the last three open tax years. This means that you can get audited for three years after the return was filed or the return was due, whichever is later.

The problem is that IRS rarely audits taxpayers right after the return is filed. They may wait for two years or more from the filing date to conduct an audit. This gives them only one-year left to audit the return and assert a deficiency. This may sound great, but don't get too excited or think that any time delay will be in your favor.

IRS typically asked taxpayers to extend the statute of limits with a signed consent in order to give them more time. On the surface, most people would refuse this extension; however, to do so would be a mistake. If you simply refuse any extension, IRS typically decides all issues in their favor forcing you to go to appeals or, even worse, court. There are two strategies that should be used should IRS present you with this situation:

Strategy 1: Agree to extend the time but only for a period of one-year or less. This would at least limit the time period for the audit.

Strategy 2: Also agree to the extension, as noted above, with the proviso that the extension only relates to specific issues. For example, if IRS is auditing your automobile, the extension only relates to the auto. The advantage here is that if IRS uncovers something (after the normal statute of limits runs out) and it is unrelated to the issues in the extension, they cannot assess any more tax. It is too late!

I have found that if you are reasonable with most IRS agents, they tend to be reasonable with you and allow any extended time to include the above strategies.

Sandy Botkin is a CPA, attorney and former trainer of IRS attorneys nationwide. He lectures all over the nation on tax planning for self-employed and corporate taxpayers and can be seen in the big events with Donald Trump, Anthony Robbins and many others. He has been written up in Newsweek and in many other magazines. He is also a syndicated writer and noted author of this famed tape series "Tax Strategies for Business Professionals" and "Tax and Financial Strategies for Residential Real Estate." To find out more about Sandy and his products, check out his terrific small business web site at: www.taxreductioninstitute.com or by calling his office at 301-972-3600 in Maryland.