

## **When you get a letter from IRS!!!!**

What should you do and when should you start breathing again?

Internal Revenue Service sends out many different types of letters but this article will talk about the 3 most common letters.

1. We think you might have overlooked a little income ( a CP-2000 letter).
2. Your tax return is in error and we have fixed it as your preparer doesn't have a clue what he is doing.
3. Greetings..... you are audited!!! ( Oh crap! You are audited!)

In all cases above the following will tell you what to expect, but we stress the importance of letting us look at the letter because many are in error or we need the letter for information on how we should handle the problem. We usually don't charge for these services unless it takes more time than normal or we have to prepare an amended return.

### **CP-2000 Letter**

IRS has a computer matching program that receives all of your W-2, 1099 and 1098 information. It compares these to what is on your tax return and then if they do not match, sends you a letter stating you might have missed something and describes what they believe is missing. This matching process takes between 6 months and a year and then the letters are sent out (when you don't remember a thing about that tax year). In some cases these letters are correct and you will possibly owe additional taxes. Accurate Tax Service checks every return we process to make sure that the tax return we prepare matches all of the W-2's, 1099's and 1098's you have provided us. Hopefully you have provided us with all of your documents but sometimes we find the client misses something, thus the CP-2000 letter. When your preparer interviews you, they usually ask whether you had any other types of income such as gambling winnings or unemployment or even any stock sales. We do this to jar your memory so that you do not miss anything.

**If you receive the CP-2000 letter, it is important for Accurate Tax to see the letter as you might not owe any additional taxes.** For example... the letter might have a sale of a stock not reported. But the letter does not have your original cost of the stock so it taxes you on the gross sale. If we subtract the cost basis of the stock, the gain would be smaller or even a loss on the sale could occur and they owe you money. If they are reporting gambling winnings they do not know that you also lost it back so they are taxing you on the full winnings. We will adjust it to reflect losses if you can itemize your deductions (schedule A). Proof of losses can be provided by the casinos if you use a tracking card.

**Again we stress that we need to see the letter.** Do not pay the amount they are proposing first as it takes much more work for us to get it back and we would have to charge you for an amended return. Also, make sure we see it in plenty of time for their deadline.

## **Your tax return is in error letter from IRS**

Many times the IRS will send a letter claiming to fix something on your return due to a math error or some other reason. Again, as with the CP-2000 letter, they may be the ones in error. We will need to see the letter to see if they are correct or not.

## **Audit letter**

This is the mother lode of scariest letters from the IRS. What it means is that they want to examine your proof of some of the deductions you have claimed on your tax return. They usually audit a return around a year to a year and a half after it has been filed.

If you would like Accurate Tax Service to handle your audit, please call. Most audits are handled free of charge as long as you follow our procedures and get what is requested of you to us in a timely manner.

The first thing we need to begin your audit is a signed Power of Attorney form that allows us to discuss the matters with the IRS on your behalf. We will provide the form to you to sign. If there is a spouse involved in the year being audited, we'll need the spouse to sign the Power of Attorney as well.

After the Power of Attorney is signed, we will schedule the appointment with the auditor. We usually do not require you to come to this appointment. We will inform you if we would like you to attend.

We will tell you when the appointment is scheduled. Usually this meeting is scheduled between three weeks to two months from the day we call for an appointment.

We will need to meet with you, prior to the audit, in our office. We will also give you a comprehensive list of the items that we will need to be properly prepared for your audit. These items should be arranged in a manner that makes it easy for us to identify what categories the documents apply to and how much the total for that category is. If we cannot figure out what the documents apply to, we cannot explain to an auditor how they support the tax return.

We also want sufficient time to review all of the information before the meeting. For a thorough review of the items we require a minimum of a week and a half of time before the audit. This will also give us time to ask for more information from you if needed.

Going through an audit is an unpleasant experience that can be made easier for you if you follow these recommendations. If we do not have sufficient time or data, the audit process can become harrowing. The audit process usually takes at least five hours. We reserve the right to refuse to handle your audit, or charge you at an hourly rate for any additional time that you have caused us if we feel you are not following these guidelines. Showing up to an audit with incomplete or nonexistent documentation reflects

Remember an audit is only about \$\$\$\$\$. The IRS wants your money, but you and Accurate Tax Service don't want to give it to them!!!!