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What to do if you get 'the letter'

TERESA DIXON MURRAY
Plain Dealer Reporter

Few things can spike your blood pressure like a phone call or letter from an Internal Revenue Service auditor.

What should you do if you're selected for an audit — either because your return raised eyebrows or because you're just plain lucky?

■ Don't panic. "Just because you get a notice, don't worry. Oftentimes it's wrong," said Pepper Pike certified public accountant Cynthia Hatfield of Zinner & Co. LLP.

It's not unusual to get a notice because your claimed income didn't match that reported by others. Maybe you reported it someplace else. Or the IRS might challenge a capital gain, but maybe you had a basis in a stock the IRS doesn't know about.

"Most people can probably pretty easily handle an IRS notice by themselves," said Paula DiVencenzo, senior taxation manager at Bober, Markey & Fedorovich in Akron.

If you do get an audit notice:

■ Don't fight everything. If the notice is for only a small amount of money, say \$30, and you can't resolve it, you're probably better off paying it rather than calling a professional, which would cost more than paying the IRS.

■ Know when to get help. If your tax notice totals several hundred

dollars or includes tons of penalties and you don't believe it's justified, then hire an accountant or tax attorney, even if you did your own return.

■ Don't meet with the IRS alone. Dealing with the IRS by mail or phone may be OK, but taxpayers can get into unintentional trouble meeting face to face, said CPA Howard Kass of Zinner & Co.

People may slip about something that wasn't part of the audit. Or they may explain something in a way that makes IRS bells go off. For example, if the IRS asks you about your claimed losses on your candle sales business and asks why you sell candles, you may say, "Because I enjoy throwing parties." The IRS may think it's a hobby, not a business, and disallow the losses.

■ Make sure you have documentation. If you've claimed business expenses, have logs of everything you did, what was discussed, whom you met with, etc.

"If you don't have that documentation," Hatfield said, "it's going to be difficult to go back... If you don't have it, it'll get thrown out by the IRS."

■ Overwhelm the IRS with receipts and records. Particularly if part of your tax case is shaky, hit the auditor first with the documentation that is meticulous and thorough. Accountants say auditors are likely to quit halfway through if everything initially appears documented and proper.