

How To Guide For When The IRS Reaches Out For Mistakes

Presented by



PROSPERITY
TAX ADVISORS

Start Handling The IRS Notice, Today!

Thank you for downloading our “How to Guide For When The IRS Reaches Out For Mistakes”

The IRS may randomly select a certain number of businesses for audit, regardless of their size or industry. The purpose of this process is to ensure that a representative sample of businesses is being audited, rather than targeting specific industries or types of businesses.

Based on the results of the audit, the IRS may then extrapolate the results to the entire tax return to determine if any additional taxes are owed.

The role of the IRS Agent once red flags are triggered are:

- Review the tax return and supporting documentation to ensure accuracy
- Ask for documentation to support income and deductions claimed on the tax return
- Ask questions about the business's operations, financial records, and tax compliance history
- Review the business's records and documentation to ensure they are complete and accurate
- Issue a deficiency notice if the business has underreported its income or claimed improper deductions
- Work with the business to bring it into compliance with tax laws if necessary
- Assess fines and penalties if necessary

That's where we come in. At Prosperity Tax Advisors we specialize in helping our clients proactively plan for their taxes and get ahead of the tax bill with key strategies necessary to implement.

In this e-book, we have provided you with how to handle when the IRS reaches out.

After you dig into the e-book, if you have any questions or would like some help on how a it can apply to your situation, we have setup a free consultation with one of our team experts to help you navigate through the complex world of taxes.

Call our office at [813-937-9221](tel:813-937-9221) to schedule your free consultation today.

Sincerely,

Michael Moffa

P.S. If you got some value from this e-book, feel free to shoot me an email at mmoffa@prosperityta.com. Would love to hear from you!

Information Document Request from IRS

Overview:

When the IRS reaches out, they will send a Information Document Request (IDR). IRM 4.46.4.2(2) says the IRS will issue an IDR through Form 4564.

What is the Form 4564?

Considered a formal request for information from the IRS

Information included:

- Name
- Tax Periods
- Information Documents Requested
- Due Date
- Requesting Officer

Sources

Internal Revenue Code Sections and related regulations includes IRC Section 121, including 121(d)(6); IRC Section 1(h)(1)(E), Reg. Section 1.62-2(d)(1), Reg. Sections 1.121-1(e)(1) and 1.121-1(e)(4), Rev. Proc. 2005-14, IRS Publication 587: Business Use of Your Home, IRS Tax-Tip 2020-98: Here's what taxpayers need to know about the home office deduction.

Responding to Information Document Requests

How to respond to information document requests:

When responding to the IRS agent for mistakes on a return, you want to make sure that you respond to each of their issues raised.

How you organize your response is almost as important as the content you include.

You need to make resolving this case as painstakingly obvious as you can.

- How to respond to an Information Document Request...
 - Segment Years
 - Divide Requests
 - Receipts vs Technical Responses
 - Sub-Divide Issues
 - Periods
 - Receipt

Include a copy of the IDR, and you should always have the “Enclosures” listed out separately

Respond to each of the following:

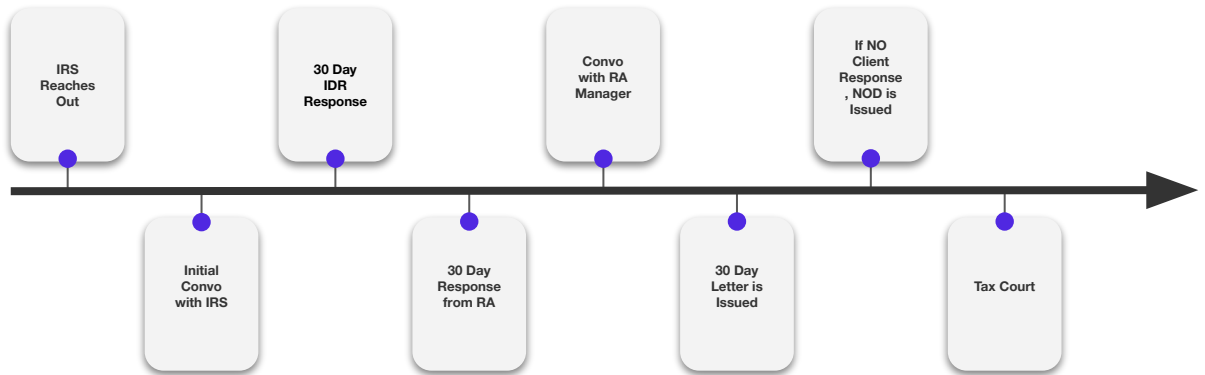
- First by Year
- Second by Form
- Third by Issue

You should ALWAYS state your Prayer for Relief.

Sources

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IRS Audit Timeline



What to expect once you've responded

Once you've responded to the IRS agent for mistakes on a return, you want to make sure that you respond to each of their issues raised.

In certain situations it may be wise to consult a tax professional to best support this process and 'speak the IRS language'

Form 4564 (Rev. September 2006)	Department of the Treasury – Internal Revenue Service Information Document Request	Request Number 0005
To: (Name of Taxpayer and Company Division or Branch) [REDACTED]	Subject IDR	SAIN number Submitted to: [REDACTED]
Please return Part 2 with listed documents to requester identified below		Dates of Previous Requests (mmddyyyy)
Description of documents requested Tax Period(s): 201612; 201712		
<p>You have requested Gross Receipts be reduced for both years under audit. You have provided a summary of all deposits. To reduce gross receipts you will need to provide the following:</p> <ul style="list-style-type: none"> - All bank statements personal and business. You should highlight the transfers going into the business account and highlight the corresponding transaction on the personal account. - You will also need to show the pass-through income. Highlight the deposit and the matching transaction showing the payment of these funds. - Provide verification of loans – provide bank notes, loan agreements, closing statements, etc to verify the loan amount. <p>You have requested mileage expense be increased for both years. To increase mileage you will need to provide the source document used to recreate your mileage log. Also, provide an explanation of use of the vehicle. Was the truck left at the shop and used by employees? What was being delivered and picked up?</p>		

Sources

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Tax Strategy #5

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For this reason, you are advised to consult with your own attorney, accountant, tax preparer, and/or other advisor regarding your specific situation or your client's specific situation. The information and all accompanying material are for your use and convenience only.

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