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BUSINESS



## TAX ADVISOR

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### IMPACT OF NEW HIGH VELOCITY IRS AUDITS ON YOUR CLIENTS

**Increase in Audits.** As a result of the “*Catch me if you can*” attitude among many taxpayers and their advisors in the 1990’s, the IRS has doubled the number of audits from 2000 to 2007. The IRS has also significantly increased the scope of tax penalties. In 2007, 9.3% of taxpayers with gross income above \$1,000,000 were audited, resulting in assessments exceeding \$2.5 billion.

**Down with Random Audits and Up with Economic Reality Audits.** The IRS has become much more successful in pinpointing taxpayers with potential audit changes. Taxpayers that fit this profile have a lifestyle that requires more funds than that which was reported on his or her tax returns. In a related manner, electronic filing of tax returns has enabled the IRS to automatically screen and evaluate tax returns for audit, sidestepping the cumbersome hand selection of returns under the DIF scoring system.

**Shorter Response Times Require Immediate Action.** The IRS has shortened the following response times: IDRs to 20 days, issuing summons within 55 days of issuing an IDR, and denying extensions of time to file protests to 30 day letters. The IRS has also refused to bring in related tax years into the audit, exposing taxpayers to the loss of deductions and refund claims from earlier tax years. This requires the tax advocate to move very quickly to assess a case, and gather the necessary information from the client. With the decline in average years of experience for IRS Revenue Agents, many cases can go awry if the tax advocate is not in control of the issues under examination, including filing a Tax Court petition before the issues have been narrowed in lieu of facing tax collection proceedings.

**Factors That Tend To Inspire Audits.** While there is nothing definite about these factors, experience indicates that high ratio of expenses to income, salary levels, net operating losses, high repair or improvement expenses, installment sales, corporate reorganizations, appraisals and valuations, depreciation and T&E expense will attract additional scrutiny.

**Tax Penalties Tend To Complicate Audits.** Due to the substantial increase in the amount and scope of civil tax penalties for the taxpayer, as well as the tax return preparer, a tax preparer may feel conflicted over the presentation of facts to the IRS. The tax preparer may find themselves defending their preparation and execution of a tax return where the IRS claims the taxpayer did not have a reasonable basis for filing. Usually when faced with penalties both parties will have very different stories to tell the IRS agent. Under new IRS rules, the IRS agent is required to refer the tax preparer’s case to the Office of Professional Responsibility under Circular 230 for professional misconduct.

**Steve Robison, Esq.** has successfully handled IRS audits through appeals and Tax Court for Professional Advisors and their clients since 1986. Our business alliance with Professional Advisors and their clients has rewritten the book on professional practice. Our alliance partners can rely on our extensive knowledge, experience, and capability in the area of tax controversy and litigation, as well as a broad range of tax planning, to come up with the lowest tax result. Let us assist your clients for a “less taxing” resolution. Steve Robison, Esq. has been Board Certified in Federal Tax Law since 2002.



**STEPHEN L. ROBISON**  
TAX AND BUSINESS

Board Certified  
in Federal Taxation Law  
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Selected as  
Ohio Super Lawyer  
In Federal Taxation Law  
2003-2008

Providing tax and business  
Advice to professional  
advisors.

- Income Tax Planning
- Tax Audits & Appeals
- Partnership Agreements
- Corporate Tax Planning
- S Corporation Planning
- LLCs
- Like Kind Exchanges

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