



TAX ADVISOR

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Our Newsletter is Going Electronic!

Starting in June 2006, this newsletter will be sent out electronically. Would you like to continue to receive these newsletters electronically?

Then send us an email SOON at : assistant@robisontaxlaw.com. Do you lack email access and prefer that the newsletter be mailed to you? Then please call Katie at (513) 412-3483. Don't delay—contact us today!

Managing an IRS Tax Audit

As we have discussed previously in this newsletter, the number of IRS agents being hired and trained and tax audits are increasing significantly. This increase is due to the change given to the IRS to bridge the gap. This means that there is an increased possibility that your clients may be contacted by the IRS for a tax audit.

How can you help your client when faced with a tax examination by the IRS?

Do NOT - under ANY circumstances - allow your client to have direct contact with an IRS agent.

What are some disadvantages if the tax preparer represents the taxpayer on a tax audit by the IRS?

A client may have made errors or may have taken incorrect or overly aggressive positions. It is important that his or her return preparer does not represent the taxpayer on audit for the following reasons:

1. If the tax preparer has direct knowledge in preparing the return, he or she will not be able to deflect pointed questions by the IRS agent. A tax lawyer can always tell the IRS agent "I'll have to get back to you on that". This gives the taxpayer and his/her representative time to review the facts before going back to the IRS agent. The IRS agent is counting on the person who prepared the return to make conflicting statements or admit an error.
2. If the tax preparer might be liable for return preparer penalties, they might very well make exculpatory remarks to the IRS Agent. These remarks may be stated in an attempt to avoid personal liability, and, in the end, the blame may be shifted to your client. It is only human nature to react defensively.
3. IRS agents know that they can hang tough if a tax preparer appeals the taxpayer's case to Appeals. Appeal officers are tough adversaries and they know how far they can press a case. A tax preparer may have no option other than to concede issues, back down, or risk having to hire a tax attorney at the 11th hour, when many of the issues have already been defined or conceded. This can make a case much more expensive for the taxpayer.

What are some advantages for hiring a Tax Attorney for an IRS tax audit?

1. A fresh pair of eyes pair can focus on alternative tax reporting strategies, which might have been overlooked by the original return preparer. In one case, I represented a taxpayer, who was facing a multi year 7 figure tax deficiency. I identified an acceptable alternative partnership tax strategy that reduced his tax deficiency to zero.
2. A Tax Attorney is well trained in tax practice and procedure, and is not likely to be taken in. In another recent case, I was sitting in an interview with a Criminal Agent from the IRS, when she repeatedly demanded my own work product! Only after I explained that she would have to pry it "out of my dead hands" did she relent!!

If you or a client has been contacted by the IRS, permit the Tax Attorneys at **The Robison Law Firm** to consult with you as to the proper course of action in an IRS tax audit.



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