

How to Avoid an Audit on Your Tax Return

TEMPE, Ariz.—Jan. 14, 2010—With the tax deadline just three months away, filers nationwide have started tallying financial records and facing a familiar fear – the possibility of an audit.

The good news is your chances of an audit are slim, says Ben Koeller, owner of Benjamin T Koeller CPA, PLLC, a full-service certified public accounting firm in Tempe, Arizona.

“On average, only about 1 percent of all individual returns filed during the previous three years were audited,” he added. “And roughly 36 percent of the returns audited were selected because of an earned income tax credit (EITC), a tax credit for certain people who work and have low wages.”

Koeller says the IRS maintains a table of average deductions for each income group. When a “score” exceeds this computer-generated average, the likelihood of an audit increases. Although there’s no way of knowing the exact range the IRS uses for an income bracket, Koeller recommends several ways to decrease the possibility of an audit:

- **Keep everything neat and organized.** Make sure you can clearly read your information and be certain to use the correct forms.
- **Report all income.** Include every W-2 and 1099 form you receive because the IRS automatically gets copies from your employer(s).
- **Make sure business expenses and home-office deductions are legitimate.** If you’re not sure about a deduction, talk to someone familiar with tax laws – and save your paperwork.
- **Clarify anything unusual.** Offer explanations and even documentation for any items you believe might raise red flags with the IRS (e.g., drastic changes in income, large losses, extensive charitable contributions, etc.)
- **Double-check your return.** Confirm your personal information is correct, your numbers are accurate, your forms are signed, and the records on your state and federal returns match.

“Of course, your best defense against an audit is honesty,” Koeller stressed. “But also keep in mind the IRS selects a certain number of people each year to audit completely at random.”

Ben Koeller is a certified public accountant in Tempe, Arizona. His focus is primarily on preparing and reviewing tax returns for individuals, businesses, trusts and estates, as well as preparing financial statements for business professionals. He works with a wide range of clients, including doctors, attorneys, construction contractors and retailers. More information is available at <http://www.btkcpa.com>.