

Many More IRS Audits are Coming; Are You Prepared?

With Biden's \$3.5 trillion infrastructure proposal on the table, the US government is becoming desperate to find ways to fund their out-of-control spending.

In addition to tax hikes, \$80,000,000,000.00 has been earmarked for the IRS, which will be used to hire more auditors and upgrade their technology in an effort to collect more taxes from you. While the likelihood of being audited by the IRS has been at a 40-year low over the last decade, this may change dramatically very soon. **Currently the chances of being audited by the IRS can range from less than 1% to 7% depending on your level of income. It is expected that the audit rate for the highest income earners will reach 50% in the coming years.**

As always, the most important thing you can do to keep from being found guilty of tax evasion is to **report all your taxable income**. This includes cash transactions, barter transactions, cryptocurrency transactions, and all other taxable sources of income.

At our firm, we pride ourselves in helping you find every tax deduction and credit that is legally available to you, which can dramatically reduce your tax liability and help you keep more of what you make. With that said, it is your responsibility to maintain thorough records to back up your claims to these tax savings. If you provide rounded numbers based on estimates rather than facts (or make up practice expenses that never existed at all), the IRS can easily flag your tax return for audit. **Without the proper documentation and records, you are likely to end up with hefty penalties and interest, or even be found guilty of tax fraud, which can cause you to lose your dental license.**

If a transaction seems "shady," it's often best to trust your gut and avoid it! The IRS keeps a list of recognized abusive transactions, which are required to be reported to the IRS, and will almost certainly trigger an audit.

There is a long list of other audit triggers that could put you in the IRS's crosshairs, which includes large loans to shareholders, large travel or meal deductions, 100% business car usage, offshore transactions or foreign banking, tax-shelter losses, requesting excessively large R&D tax credits, hobby losses, and many more.

Just because a tax deduction is an audit trigger does not mean it's not legitimate, so don't shy away from taking advantage of what the law allows. Since most audits begin with a simple request for documentation to back up your claims, your audit can be over quickly and painlessly as long as you have the documentation and records prepared in advance.

If you keep proper records, report everything you earn, and avoid abusive transactions, you should be able to survive the coming wave of tax audits with little or no consequences.

Remember, as a taxpayer, it is your right to pay the least amount of tax legally required under the law. Tax planning is also called tax avoidance, which is reducing your tax through legal means.

Maximizing your tax deductions and tax credits, and at the same time keeping you off the IRS's radar for audit, is our number one priority to you. If you have any questions or concerns, please feel free to reach out to us.