

# What Are Tax Audits?

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*A tax audit is an examination of your tax return by the IRS to verify that your income and deductions are accurate.*

A tax audit is when the IRS decides to examine your tax return a little more closely and verify that your income and deductions are accurate. Typically, your tax return is chosen for audit when something you have entered on your return is out of the ordinary. There are three main types of IRS audits: the mail audit, the office audit and the field audit.

## Mail audits

No matter what type of audit the IRS decides to conduct, you will receive notification of it by mail. A mail audit is the simplest type of IRS examination and does not require you to meet with an auditor in person. Typically, the IRS requests additional documentation to substantiate various items you report on your tax return. For example, if you claim \$10,000 in charitable deductions, the IRS may send you a letter requesting proof of your donations. Generally, submitting sufficient proof will conclude the audit in your favor if the IRS is satisfied.

## Office audits

An office audit is an in-person audit conducted at a local IRS office. These audits are typically more in-depth than mail audits and usually include questioning by an audit officer about information on your return. You will be asked to bring specific information to an office audit, such as the books and records for your business or your personal bank statements and receipts. You also have the right to bring an accountant or lawyer to represent you at these meetings.

## Field audits

The field audit is the broadest type of examination that the IRS conducts. In these cases, an IRS agent will conduct the audit at your home or place of business. Generally, field audits are conducted when the IRS is questioning more than just a deduction or two. A field audit is generally very thorough and will cover many, if not all, items on your return.

## Possible outcomes of an audit

There are three possible outcomes of an IRS audit. If the IRS is satisfied with your explanations and the documentation you provide, then it will not change anything on your tax return. If the IRS proposes changes to your tax return, you can either agree and accept the changes or challenge the agent's assessment. If you agree, you will sign an examination report or other form provided by the IRS and establish some type of payment arrangement. If you disagree with the findings, you can set

up a conference with an IRS manager to further review your case or you can request a formal appeals conference.