
What to do if you are selected for a correspondence audit

The IRS is now handling many routine audit reviews through form letters called correspondence audits. These letters come from the IRS and ask for clarification and justification of specific deductions on your tax return. Common issues that trigger a correspondence audit are large charitable deductions, withdrawals from retirement accounts and education savings plans, excess miscellaneous deductions, and small business expenses.

Don't panic if you get one of these audit form letters. The IRS often uses computer programs to compare individual return deductions with the averages for a person's income level or profession. If you've received a letter, you may have simply fallen outside the averages. As long as you respond promptly, thoroughly, and with good documentation, it won't necessarily become a contentious issue. The key is to keep proper, well-organized documentation under the assumption you may need it to support your deductions. If you do this right, the correspondence audit will end with a "no change" letter from the IRS, acknowledging you've addressed their concerns. Give us a call if you receive one of these letters from the IRS. We're here to help.

IRS Is now using collection agencies

The IRS is now using outside collection agencies to collect unpaid tax obligations. This new program will start slowly with only a few hundred taxpayers receiving mailings. The number will grow into the thousands later in the spring and into summer. Taxpayers who are contacted will first receive several collection notices from the IRS before their accounts are turned over to the private collection agencies. The agency will then send its own letter to the taxpayer informing them that the IRS has transferred the account to the agency. These agencies are required to identify themselves as working with the IRS in all communications.

Unfortunately, a change like this can often lead to confusion among taxpayers, which gives scammers a new opportunity to steal taxpayer dollars. The IRS is aware of the potential fraud problems and plans to continue to help taxpayers avoid confusion. The IRS reminds taxpayers that private collection companies, like the IRS, will never approach taxpayers in a threatening way; pressure taxpayers for immediate payment; request credit card information; or request payments in gift cards, prepaid debit cards, or a wire transfer. A legitimate letter from a collection agency associated with the IRS will instruct taxpayers to

write a check directly to the IRS.

Schedule your midyear tax planning session

Most people don't include tax planning on their summertime agenda, but maybe they should. The problem with waiting until the end of the year is that you reduce the time for planning strategies to take effect. If you take the time now to schedule a midyear tax planning review, you'll still have eight months for your actions to make a difference on your 2017 tax return. In addition, proposed tax reform could be cause for additional changes to your tax plan. Planning now for 2017 taxes not only helps reduce your tax burden, but it can help you gain control of your entire financial situation. Give us a call to set up an appointment today.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We appreciate your referrals.

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