

Handling A Tax Audit Managing the Information Process

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I. Remember Your Advantage.

- The auditor knows only what you tell him.
- Never give uncontrolled access to information.

II. Plan Carefully.

- Have good advisors, and protect their advice.
- Research and decide carefully.
- Develop and document sound policies.
- Preserve tax return information.

III. Arrange a Convenient Time, for You.

- Nothing is more important.
- Be able to devote your full attention to the audit.
- Be responsive.

IV. Prepare for the Audit

- Review policies.
- Review tax return.
- Review previous research and update.
- Understand issues and positions.

V. Prepare a Work Area for Auditor.

- Not too comfortable.
- Out of the way of day-to-day business.
- Consider using your lawyer's or accountant's office.

VI. Establish Rules of Engagement.

- Communicate to staff.
- Designate who is to communicate with auditor.
- Tell others to be courteous but distant.
- Control auditor's access to information.

VII. Be Courteous.

- The auditor is a professional who deserves to be treated professionally.
- You don't need an enemy.
- Communicate Rules of Engagement to auditor.
- Never fight with the auditor (he's got all the weapons).
- Cooperate.

VIII. Plan Every Communication Carefully.

- Answer only the question asked. Never volunteer information unless you know it will help you.
- Answer truthfully.
- Be very careful before you try to withhold information.
- Put important communications in writing.
- Choose your wording carefully.
- Consult with your tax advisor.
- Keep a diary of all communications, observations, copies of documents.
- Protect lawyer client communications.

IX. The Auditor Is Not Your Friend.

- Do not expect the auditor to solve your problems.
- Auditor's job is to find problems, enforce IRS or state policy, collect revenue.
- Do not be penny wise and pound foolish.
- If you have questions, ask your tax advisor, not the auditor.

X. Plan for the Appeal.

- Even before the audit begins:
 - Know your appeal options.
 - Know the key procedural steps, time limits, etc.
- Do not rely on the auditor to advise you.
- Do not rely on the auditor to argue your case for you.
- No substitute for local expertise.

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