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ACCOUNTANCY CORPORATION

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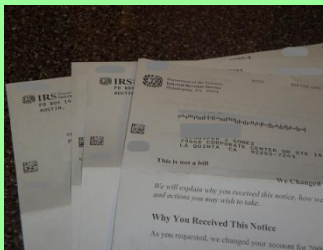
## No Need to Stress Over IRS Letters

It's natural to feel panicked whenever you see correspondence with your name on it from the Internal Revenue Service.

But there is no need to stress over it.

Most letters from the IRS involve minor issues.

## Math Errors Rarely Result in Audits



Math errors rarely lead to a full audit. Check the numbers. Sometimes, the IRS misreads one of your numbers or the number is keyed incorrectly into the IRS computer. If it's wrong, send a letter with a printout of your calculations.

Mismatched interest and dividend reporting is the No. 2 cause for a letter from the IRS. Payers of interest and dividends are required to report those payments both to you and to the IRS on a Form 1099. If the amounts reported don't match the amounts on your return, you can bet you'll get a letter from the IRS.

There are lots of potential errors here. Sometimes, the IRS will enter the Form 1099 information into its computer and erroneously keystroke the income amount or the Social Security number of the recipient. If the income isn't yours, you should get a letter from the bank or other payer and forward it to the IRS.

-- PSO

The biggest reason people receive letters from the IRS is human error. Each year, more than 1 million letters are sent to people because they failed to sign their returns. Or maybe they made a mathematical error. Or even better: The IRS made the mistake. For example, in 1998, the IRS sent out apologies to 20,000 taxpayers for mistakes it made in handling their accounts.

## Never Represent Yourself

What if it's a tax audit? An audit is merely a process where the IRS asks you to substantiate the numbers on your tax return. For example, if you claimed a charitable deduction of \$750, the IRS would want to see canceled checks and receipts totaling \$750. If you show up with \$800 in substantiation, you get a refund; if your substantiation is less than \$750, you owe money. Once you know what the IRS wants, call your tax professional. Never represent yourself at your own audit. You may know what to say, but you don't know what *not* to say. If the audit is simple -- to prove your charity and interest deductions, for example -- you can do it yourself by mailing in *copies* of your substantiation. Otherwise, for all in-person audits, I strongly suggest professional representation. In either case, if you have the records and a strong certified public accountant in your corner, there is no need to worry. Together with your tax professional, you can calmly face the situation and successfully get through your audit.

-- Pedro Rincón, CPA



Our clients are our top priority all year round. Please contact us if you have any questions regarding IRS letters or any matters with tax implications for you, your business, and your family.

**Peterson Slater & Osborne**

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**Submit A Question**  
Is there a topic or  
question you would  
like to see addressed  
in a future newsletter?  
Submit a question, and  
our CPAs will do their  
best to answer it.

## Congratulations!

The response to our IRS tax trivia was overwhelming. **Diana Todd of Indian Palms Country Club** submitted the correct answer and won the drawing. Enjoy your dinner at Jackalope Ranch!

Look out for another contest soon!

IRS CIRCULAR 230 DISCLAIMER: Pursuant to regulations governing the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries and appraisers before the Internal Revenue Service, unless otherwise expressly stated, any U.S. federal or state tax advice in this communication (including attachments) is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of (i) avoiding penalties that may be imposed under federal or state law or (ii) promoting, marketing or recommending to another party any transaction or tax-related matter(s) addressed herein