

HOW TO AVOID SMALL BUSINESS AUDITS



CPA GROUP
OF THE ROCKIES



TIPS TO STEER CLEAR OF AN AUDIT

As you look ahead to the next tax season, the last thing you want to deal with is an audit from the IRS.

After all, you try hard throughout the year to run your business with integrity and best practices. So, is there anything you can do to avoid a small business tax audit? There most certainly is.



Here are seven tips that should help you steer clear of an audit this year:

1. File **on time and file completely**. 
2. Report your numbers **accurately and exactly** (avoid only reporting nice, round numbers). It's one thing to make a simple math error. It's another to alter your numbers deliberately. Plus, reporting only round numbers seems, well, fishy.
3. Pay your estimated taxes on time **throughout the year**. 
4. **Don't exaggerate your business deductions**.
5. Don't report a lifestyle that doesn't match your income. **The IRS reviews your personal tax return along with your business return**, so they should line up.
6. Your business shouldn't only lose money year after year. If you report a total loss a couple of years in a row, the IRS is going to wonder how you're staying in business.
7. **Stay away from misclassifying workers**. Misclassifying workers is one way to avoid paying state payroll taxes, and the IRS knows it. If your business solely utilizes independent contractors, it may be enough to trigger an audit.



If you follow all these steps and still get flagged by the IRS, don't panic. Compile the documents you need to defend your small business tax return and give us a call--we're happy to help guide you in any way we can.

Please give us a call if you have questions. We're happy to expand on any – or all – of the tips above.