

A RARE LOOK
INSIDE THE IRS
TAX AUDIT PROCESS
IN 2020



By Kevin E. Thorn, Managing Partner
of Thorn Law Group

A Rare Look Inside the IRS Tax Audit Process in 2020

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Being audited by the Internal Revenue Service (“IRS”) can be a traumatizing experience, to say the least. In this tell-all, former IRS Attorney, Kevin E. Thorn, discloses not only what each type of IRS tax audit entails, but also how to proceed in defending an IRS tax audit.

If a taxpayer receives a letter from the IRS alerting them to the fact that their individual tax return or their business tax return is under an IRS tax audit, it can be challenging to determine how to proceed. Who is the best professional to assist with the IRS tax audit? What types of information can the IRS legally request when auditing an individual or business tax return?

These questions and many more are answered in this exclusive, *A Rare Look Inside the IRS Tax Audit Process 2020*, by attorney Kevin E. Thorn, Managing Partner of Thorn Law Group located in Washington, DC. As a former IRS Attorney, Mr. Thorn has successfully helped hundreds of individuals, businesses, trusts, and foundations from around the country, and across the globe, with a variety of different types of IRS tax audits and state tax audits, including:

- Correspondence and Face-To-Face IRS Tax Audits
- Individual/Personal IRS Tax Audits
- Business IRS Tax Audits
- International IRS Tax Audits of Companies and Individuals
- Cryptocurrency IRS Tax Audits
- Eggshell IRS Tax Audits
- Trust Fund IRS Tax Audits
- Employment IRS Tax Audits
- Criminal IRS Tax Audits
- Gentlemen’s Club IRS Tax Audits
- IRS Small Business and Professional IRS Tax Audits
- IRS Real Estate Audits

Take a rare look inside the entire audit process, from when a taxpayer receives a letter from the IRS initiating an IRS tax audit to reaching a resolution, with an in-depth look at the importance of hiring an experienced tax attorney that works against the IRS every day.



INTERNAL REVENUE SERVICE

What is an Internal Revenue Service (“IRS”) tax audit?

An IRS tax audit takes place when the IRS conducts an extensive review of an individual taxpayer’s or company’s tax returns to determine whether or not that information was correctly reported in accordance with the United States tax laws.

During an IRS tax audit, the IRS looks at all of the subject’s financial reporting and tax information and has the authority to request additional financial documents, such as receipts, reports, and statements. In addition, in the letter the taxpayer receives via-regular mail, the IRS will usually ask for an in-person interview with the taxpayer and will request that the taxpayer bring all of their tax documentation to the interview.



Under no circumstances should a taxpayer go to this IRS interview alone but should instead hire an experienced tax attorney to attend or call the IRS in the taxpayer’s place.

This is a crucial point because a taxpayer will not know what information the IRS already has in its possession. Also, a taxpayer’s answers may be misinterpreted by the IRS Agent, and remember, it is a federal crime to lie to an IRS Agent. Ultimately, the goal of the IRS tax audit is to determine if the amount of income and tax reported on the tax return is correct according to the rules provided by Internal Revenue Code and the US Tax Laws.

How is a US taxpayer chosen for an IRS tax audit?

Unfortunately, an IRS tax audit is just one of the rewards for living, working, and doing business in the United States, and/or for being a United States citizen, green card holder, or resident alien. How does a particular US taxpayer become chosen for an IRS audit? While audits can happen randomly, the majority are triggered by the following events:

- The IRS computer system flags an irregularity.
- If a taxpayer is financially involved with another taxpayer that is currently under audit by the IRS, it may compel the IRS to perform a tax audit on the related taxpayer.
- The taxpayer is identified in any of several types of financial disclosures and situations, including offshore accounts and other compliance matters.

FLAGGED IRREGULARITIES INVOLVING IRS TAX AUDITS

The majority of taxpayers are selected as a result of irregularities in their tax reporting, which triggers the IRS' computer-based system to print off an IRS audit letter. Just because a tax return triggers an IRS tax audit, the tax return was not necessarily filed incorrectly. In most cases, the taxpayer will **not** have to pay additional taxes or penalties.

ASSOCIATION WITH A CURRENT IRS TAX AUDIT

Another reason a taxpayer could be chosen for an IRS tax audit is if his financial information is somehow intertwined with another taxpayer's information already currently under an IRS tax audit. For example, the taxpayer's name comes up in another type of IRS tax audit taking place. That audit that may involve some sort of unexplained tax issues involving a company, partnership, trust, foundation, and/or another type of entity and some information needs to be cross-referenced

FINANCIAL DISCLOSURES AND SITUATIONS CONCERNING IRS TAX AUDITS

Lastly, there are several forms of financial disclosures and situations that could put a taxpayer at risk for an IRS tax audit. A few of the circumstances that potentially lead to an IRS tax audit concern whether or not you are in compliance with the numerous information reporting requirements contained in the United States tax laws. Taxpayers conducting business overseas or performing business transactions using cryptocurrency have recently triggered many IRS tax audits.

Also, the IRS may choose to audit a taxpayer whose return information does not match information reported by another party. Common examples include a taxpayer whose

reported wages do not match the wages reported to the IRS by his employer, or whose reported income does not match information provided by his bank.

Finally, if a taxpayer has international assets outside of the US and/or an undisclosed offshore bank account, the probability of an IRS tax audit increases dramatically. The IRS currently has several IRS Offshore Account Disclosure Programs in place that can help individual taxpayers and businesses disclose their offshore accounts and file the proper backdated IRS forms and documentation. A tax attorney with extensive experience in the IRS Offshore Disclosure Programs can save a taxpayer thousands of dollars in tax, penalties, and interest.

What should a taxpayer do first after they receive an IRS tax audit letter from the IRS notifying them that they are under audit by the Internal Revenue Service?

The first thing a person should do when they receive notification that they are under audit by the IRS is contact an experienced Boston tax attorney. An IRS audit is too serious a matter to handle without professional assistance. You should hire an IRS tax audit attorney in Boston.

It is in the taxpayer's best interest to work with an experienced IRS audit attorney who is familiar with every type of IRS audit and who has successfully navigated thousands of clients through their IRS audit process. Taxpayers who attempt to handle the IRS audit alone, can put themselves at risk for

- increased penalties,
- fees and tax,
- IRS criminal investigation,
- in some cases, even jail time.

Hiring Kevin E. Thorn and the counsel of Thorn Law Group could make a difference in saving millions of dollars and avoiding excruciating criminal prosecution. Kevin E. Thorn, the Managing Partner of Thorn Law Group, is one of the most respected former IRS attorneys in the IRS tax audit business.

He has helped thousands of clients with their complicated IRS tax audits, including individual taxpayers, businesses, trusts, foundations, professionals, and more. He has a deep understanding of the serious consequences that can result from an IRS audit, particularly one that is mishandled.



What is the best way to deal with an IRS tax audit in Boston, Massachusetts, and the surrounding areas?

In addition to hiring a Boston tax attorney, there are some other factors to consider when deciding how to handle an IRS tax audit.

- If the IRS contacts you directly to speak about an IRS audit, do not speak with them, or give them any information. Refer the agent to your attorney.
- If an IRS agent shows up unannounced to your business or even your family home for an in-person interview, you are not obligated to discuss your IRS tax audit with them. However, you do not want to ignore the IRS. Refer the agent to your attorney. Make sure the agent properly identifies themselves and shows you his or her official IRS identification. We recommend asking the agent to leave a business card with their contact information.

DO NOT TALK WITH THE IRS AGENT

It is common for the IRS to reach out via mail or in person. In these instances, the IRS agent assigned to your case could try to pressure you into giving them information that could incriminate you or be damaging to your IRS tax audit case.

If the IRS contacts you, wait and let a Boston IRS tax attorney handle communication with the IRS to protect your rights during this sensitive period. As a taxpayer, you have certain rights that the IRS agent will not fully explain before they try to engage in conversation. Let an IRS tax audit attorney who knows these rights speak to the IRS on your behalf.

DO NOT MEET WITH THE IRS AGENT

When the IRS shows up, ask them politely to leave and inform them that you will be represented by an IRS tax audit attorney who will communicate with them on your behalf. Do not speak with them as you could potentially incriminate yourself, especially if the IRS

employs tactics to catch you off guard. It can be difficult to determine why the IRS is asking certain questions. It can also be difficult and uncomfortable to refuse to answer them, especially if you are unclear about your taxpayer rights. Again, avoid the stress and potential liability, and let an IRS tax audit attorney deal with the IRS.



**The IRS generally does not call tax audit subjects over the phone.
If you receive this type of call, it could be a scam.**

Who should I hire for help with an IRS tax audit?

Due to the many nuances of an IRS audit, you should hire an experienced IRS tax audit attorney, such as Managing Partner Kevin E. Thorn, to represent you through your IRS audit. By law, an attorney cannot share your information with a third party, including the IRS, without your consent.

No other professional in the financial or tax business shares the privilege of privacy, including Certified Public Accountants (“CPA”). In fact, CPAs or other non-attorney representatives can actually be witnesses against their clients. Only an experienced IRS tax audit attorney is truly able to keep your information safe and ensure that you have the best protection and guidance throughout your IRS audit.



**Only an attorney can offer you attorney-client privilege.
This privilege ensures that your sensitive financial information is
kept confidential.**

Who should I not hire for an IRS tax audit?

Hiring a professional other than an IRS tax attorney to help with your IRS tax audit could be dangerous. Protection is not guaranteed when you provide professionals other than a lawyer sensitive tax and financial information. You should not hire a CPA to guide you through your IRS tax audit. There is no legally recognized accountant-client privilege. A CPA may be forced to disclose sensitive information that would be protected and kept confidential if told to an attorney instead.

There are no legal limitations for what information an accountant could be compelled to provide the IRS during an IRS tax audit or even after the audit. In some cases, these professionals would be bound to supply the IRS with the requested information.

In other words, a CPA could be used as an asset by the IRS in gathering information about you that would greatly disadvantage you during your IRS tax audit, and even become a witness against a taxpayer. Only an IRS tax audit attorney is legally prevented from sharing sensitive tax information with the IRS. Hire someone who can offer you impermeable protection, such as Managing Partner, Kevin. E. Thorn, of Thorn Law Group.

Types of IRS Tax Audits

CORRESPONDENCE AND FACE-TO-FACE IRS TAX AUDIT

A correspondence IRS audit is conducted by the IRS solely via mail. If you were to be audited by a mail-in audit, you would receive notification of the audit through the mail and then be responsible for sending the IRS all the requested material through the mail or by fax. Even a mail-in IRS audit can have serious repercussions and should not be taken lightly.

If you have been selected for a mail-in IRS audit but believe there is too much information required by the IRS to send it all through the mail, you can request to have a face-to-face audit. A face-to-face IRS audit can be highly effective in the playing out of your IRS audit and therefore is best made by someone with experience.

INDIVIDUAL/PERSONAL IRS TAX AUDIT

Personal IRS audits are audits of an individual's personal finances. There are several reasons why you may be subject to a personal IRS audit, including inconsistencies in reporting throughout the years, changes in your financial history, the incorrect reporting of foreign assets, and even random selection. For many, a personal IRS audit is costly and intrusive, resulting in more money paid to the IRS, and for some, even a criminal investigation. Rarely does a personal IRS audit turn in one's favor, although it is not unheard of if the proper counsel is hired to assist. Again, hiring an IRS audit attorney such as Kevin E. Thorn could make a huge difference in the outcome of your personal IRS audit.

BUSINESS IRS TAX AUDIT

A business IRS audit is a very serious matter that is a disruptive force for many businesses, both those that are innocent, as well as those and guilty of illegal tax and financial practices. The IRS audits multi-million-dollar companies as well as local small businesses. IRS business audits are particularly dangerous because of the productivity loss and resource drain that occurs within the business for the duration of the IRS audit.

While the process of a business IRS audit may be costly for the business, not hiring the proper help to deal with it could be even more expensive. Businesses who do not hire an IRS audit attorney could lose millions of dollars in penalties, taxes, and fees and could be subject to an invasive, time consuming criminal IRS investigation. This investigation not only affects business owners and CEOs, but also the innocent employees who are subjected to the investigation.

Thorn Law Group is particularly equipped to handle any business IRS audit. Whether your business is a multinational company or a local small business, Kevin E. Thorn has the experience and knowledge needed to guide your business through its particular IRS audit.



IRS International tax audits are at high risk of turning into a criminal investigation. Failure to report all foreign assets and overseas bank accounts is a felony.

INTERNATIONAL IRS TAX AUDIT

US taxpayers have a responsibility to report all foreign income and offshore bank accounts to the IRS, as well as declare all their foreign assets, even if they do not produce income. If this reporting is not completed, or if it is completed incorrectly, an international IRS audit may be triggered. An international IRS audit could have serious consequences for the international taxpayer, including massive penalties and tax, invasive investigations, and, potentially even, incarceration.

For many taxpayers, international tax law and the reporting requirements can be confusing and daunting. Two of the forms crucial for reporting offshore bank accounts as well as foreign assets to the IRS include;

- **FBAR:** Foreign Bank Account Reporting Form
- **Form 8938:** Statement of Foreign Assets

In addition to the forms above, there are other forms that must be filed depending on the type of asset you need to report. Take notice of the forms below.

- **Form 3520:** Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts
- **Form 3520 A:** Annual Information Return of Foreign Trust with a US Owner
- **Form 5471:** Information Return of U.S. Persons with Respect to Certain Foreign Corporations
- **Form 926:** Return by a US Transferor of Property to a Foreign Corporation

Unsure about your foreign financial asset reporting responsibilities, consult with a Boston IRS audit attorney as soon as possible. Incorrect filing or the failure to file the forms could also trigger a serious IRS international audit.

CRYPTOCURRENCY IRS TAX AUDIT

Recently, the IRS has taken an interest in cryptocurrency and blockchain reporting, such as the reporting of Bitcoin, ZCoin, and Facebook's new currency, Libra. The IRS has stated that they will categorize all cryptocurrency as "property," meaning it should be reported as such.



**Cryptocurrency is not immune to
IRS tax reporting.**

Those with unreported cryptocurrency are at risk for an IRS cryptocurrency audit. Depending on the value of your cryptocurrency holding, you could owe the IRS a substantial amount of money.

Hiring an attorney who is familiar with new reporting standards of cryptocurrency to help you disclose yours, such as Boston IRS attorney Kevin E. Thorn, could save you a lot of money and from the perils of an IRS investigation in the long run.

EGGSHELL IRS TAX AUDIT

An eggshell audit is an IRS audit that starts out as a standard personal IRS audit, an international IRS audit, or a business IRS audit, but has the potential to turn into an IRS criminal audit based on the financial facts. This means that within the IRS audit process, it is possible that the IRS agent could uncover tax crimes such as fraud, undisclosed offshore bank accounts, unreported cryptocurrency transactions, or use of other tax evasion mechanisms that are illegal according to the Internal Revenue Code and US Tax Law.

To successfully navigate an eggshell audit, a Boston IRS audit attorney is a must. An IRS eggshell tax audit is an extremely sensitive type of IRS audit that requires careful navigation to ensure that the audit does not elicit any suspicion or segregated notice by the IRS. If you feel as though your audit could be an eggshell IRS audit, you need to call a Boston IRS audit tax attorney today. It is crucial that you seek the assistance of a tax attorney who has successfully navigated clients in such a sensitive audit before. This background is pivotal in ensuring the best possible outcome for your IRS eggshell audit.

TRUST FUND IRS TAX AUDIT

Failure to file or irregularities in filing an IRS Form 1041, 3520 or 3520A could elicit a trust fund IRS audit. Increased attention to trusts and trust fund audits could be due to the IRS' newfound focus on taxpayers who have found ways to misuse trust funds, especially foreign trusts.



According to the IRS, the number of trust fund IRS tax audits are increasing.

The IRS has defined two types of trusts they believe to be mechanisms of “abuse.” These systems are the (1) domestic package and (2) foreign package.

Respectively, trusts operate within the United States and outside the United States. Often, trusts are used to give the appearance of an individual giving up control of their assets, while in reality, the individual is still in full control. Placing these assets in a trust affects the way in which the assets should be properly reported.

If the IRS suspects this type of arrangement, they may conduct a trust fund IRS audit. This is another type of IRS audit that has a high risk of turning criminal or eliciting large penalties,

and therefore should be handled by a Boston IRS trust audit attorney who has years of IRS audit experience.

EMPLOYMENT IRS TAX AUDIT

Employers have a responsibility to report a number of different employment taxes to the IRS. These employment taxes include federal income taxes, social security taxes, Medicare taxes, federal unemployment tax, and, if applicable, self-employment tax. If the [proper forms](#) are not filed in regards to a company's employment taxes, an IRS employment tax audit could be triggered.

When the IRS initiates an employment tax audit, they pursue it aggressively. In certain circumstances, the IRS can hold a business owner or employee personally liable for the company's taxes. This type of IRS audit could also turn criminal. When this happens, you need a former IRS tax attorney who will fight for you even more aggressively.

CRIMINAL IRS TAX AUDIT

How does a look into your financial information through a civil IRS audit turn criminal? If the IRS suspects your financial reporting is in violation of US Tax Law, the Internal Revenue Code, Bank Secrecy Act, fraud laws, or money laundering laws, you could be subject to a criminal tax IRS audit. A criminal tax audit is incredibly intense, as the IRS scrutinizes every aspect of your financial history as well as potentially that of your family, business, or business partners.

A criminal tax IRS audit is a criminal investigation that is conducted by special agents who will gather evidence to ultimately be used by the IRS as tools to build a case against you for prosecution by the US Department of Justice. Tactics used in criminal investigations include search warrants, wiretaps, and raids of your home or business by armed federal agents. High profile cases, such as those of politicians, celebrities, and athletes that are publicized over the news, are examples of these types of criminal investigations.



The US government does not take tax crimes lightly, and the IRS is an undeniable force when it comes to uncovering tax crimes in society.

If under criminal investigation by the IRS, you can expect the IRS to fight hard. Therefore, it is critical to hire a former IRS Boston tax attorney who will do the same for you. At Thorn Law Group, Managing Partner Kevin E. Thorn takes the lead on every criminal IRS tax audit

that passes through our doors. In turn, he has saved his clients millions of dollars and kept many of them from going to jail.

GENTLEMEN'S CLUB IRS TAX AUDIT

Businesses like gentlemen's clubs that operate on a cash basis often draw unwanted IRS attention that can range from receiving a simple letter that an IRS audit will be conducted to a government raid, as gentlemen's clubs are prime candidates to be selected for an undercover IRS operation.

IRS audits involving this type of business can be extremely complicated, and if not protected, gentlemen's club owners can face huge fines, and even jail time if convicted of fraud and tax evasion. Dancers, who are usually Form 1099 workers, often fail to declare cash payments and tips, making them susceptible to IRS audits that could result in fines and even prosecution for tax evasion. IRS auditors will press club dancers and other workers for proof that they are not misclassifying employment status and failing to record all income.

Whether you are a club owner or worker, facing an audit of this type either on your own or with an inexperienced lawyer could turn out to be a costly mistake. The tax lawyers at Thorn Law understand the issues you face and know how to help.

IRS SMALL BUSINESS AND PROFESSIONAL IRS TAX AUDIT

An IRS small business or professional audit, if not handled properly, can end up being unnecessarily costly and even put your business in jeopardy. Apart from the financial fallout of an IRS audit, audits can be very stressful, especially if the IRS decides to investigate your lifestyle as part of its audit.

You are at a disadvantage from the very beginning. The burden is on you to prove your innocence and not on the IRS to prove your guilt. Who you get as your IRS auditor is the luck of the draw. Many IRS auditors do not have a full understanding of tax law, and if you do not have a knowledgeable lawyer by your side, you might end up paying unnecessary penalties, taxes, and fees. You could even become the subject of an IRS criminal investigation if your audit is not handled properly. IRS small business and professional audits cause huge disruptions in people's lives and livelihoods. Whether you are engaging in an IRS audit by correspondence or face-to-face, Kevin E. Thorn has the experience to guide you and your enterprise through the IRS audit process.

IRS REAL ESTATE TAX AUDIT

If you have real estate investments and are notified that you are being audited by the IRS, you should seriously consider hiring an experienced real estate tax attorney to protect you and your interests during the audit. IRS real estate audits can cover many complex legal landmines. Three extremely complex and all-too-common issues that can flag the IRS are

- The passive activity loss credit, typically from real estate rental properties,

- The rehabilitation tax credit - a tax break for investors who restore old buildings,
- Valuations of the property.

The laws covering these tax credits are complex and easy to misinterpret. And even if you do everything right, these kinds of issues can trigger an IRS audit. If you take what the IRS might see as excessive or suspicious rental property expenses, claim renovation costs that seem out of line, or undervalue your property, you could be assessed with a huge tax liability and penalties if you cannot adequately substantiate your real estate tax credits or deductions.

How should counsel respond to an IRS tax audit?

Appearances matter. When hiring counsel, consider how that counsel presents themselves. Are they professional? Are they formally branded? Is their work product factually correct and without error? It is imperative that you hire an attorney who is well respected, experienced, and present your IRS audit information in a way that is orderly, neat, explanatory, and aesthetically pleasing. The IRS appreciates this and will, in many cases, be able to work through the IRS audit more quickly if the information is easily accessible and presented in a manner that helps the IRS agent understand your position. Thorn Law Group has a reputation with the IRS for sending in information and representing clients in a very well-arranged and organized manner.

You should never speak to or call an IRS agent directly. Doing so could seriously damage your chances of getting through the IRS audit without any assigned penalties and could spur a criminal investigation. Every time you speak to an IRS agent about your IRS audit, they are collecting more information against you. When having a conversation with the IRS, it is easy to say something that you will regret or did not mean. The IRS works these mistakes into their case against you. You should let an IRS audit attorney handle all communication with the IRS on your behalf to help you mitigate risks and come out of your audit with a best-case solution.

How long does an IRS tax audit last?

While the length of an IRS audit can vary greatly depending on a number of factors, including the type of IRS audit, according to their website, most IRS audits **last two years**. It is possible that hiring **an IRS tax audits attorney can help lessen the amount of time of your IRS tax audit**. However, due to factors such as the type of IRS audit, what exactly is being investigated, the organization of your information, whether or not additional information is requested, and why your financial situation elicited an audit, the process could take longer. There is no set timeframe for an IRS audit that the government must

adhere to; however, according to your taxpayer rights, each taxpayer has the right to a reasonably speedy IRS audit.

How should a taxpayer and counsel respond to an overly aggressive IRS agent during an IRS tax audit?

According to the IRS, every taxpayer has “a right to professional and courteous treatment by IRS employees.” Under no circumstance should an IRS agent become abusive or overly aggressive to anyone involved in your complicated IRS audit. It is always best to remain calm and maintain a civil relationship with your IRS agent, even if they are acting unreasonably.

An experienced IRS audit attorney knows how to deal with a feisty IRS agent in a way that will not have a detrimental effect on the outcome of your IRS audit. If the IRS agent’s behavior becomes serious enough, your IRS audit attorney is able to report them to the IRS and can initiate procedures to protect you and your rights.



Your IRS agent has a lot of power when it comes to your IRS audit.

Without an attorney, it could feel like the battle of David and Goliath.

Often, the outcome of this is a new IRS agent being assigned to handle your IRS audit. If this process is handled correctly, it should not influence the ultimate outcome of your IRS audit. Let an IRS tax audit attorney, like Kevin E. Thorn, deal with the agent on your behalf.

How many tax years are included in an IRS tax audit?

According to the IRS, most IRS audits only involve the last two years of filed tax returns and financial information. In our experience, **this has rarely been the case**. The IRS has the authority to look back as far as three years for most types of IRS audits without requesting an extension of the statute of limitations. For a case in which the IRS audit is opened due to a suspected fraud, grand understatement of income, or the nondisclosure of foreign assets, the statute of limitations is automatically increased to six years.

A taxpayer does not have to agree to the statute of limitations. This is a big decision that can have huge implications for the IRS audit.

- Opening additional years provides the IRS with a lot more information that could be used to implicate you.
- For some, opening up additional years of tax information could be advantageous for the taxpayer.

Regardless, it is best to allow a trained tax professional such as Boston tax attorney Kevin E. Thorn to guide you through this process. Only a former IRS attorney who has a deep understanding of how these statutes can affect each unique IRS audit can provide clarity on why the IRS may be requesting additional years and whether or not submitting to their request is a favorable decision for the taxpayer.

When does an IRS agent open up and include additional years in an IRS tax audit?

There are several reasons why the IRS may request to extend the lookback period of your IRS audit. The following are common reasons:

- There is an appearance of an egregious error.
- There is an appearance of a pattern of improper reporting.
- The IRS has the justifiable suspicion of fraudulent reporting.
- There is a suspected understatement of income greater than 25%.
- There is a suspected nondisclosure of offshore bank accounts, foreign income, or other overseas assets.

In these instances, the lookback period could easily become six years. If the IRS Revenue Agent has a suspicion that a taxpayer's IRS audit could uncover criminal activity, such as in the cases of eggshell IRS audits or an international IRS audit, they would want to investigate additional years.

A request to extend the lookback period likely indicates that legal representation will be necessary through the completion of your IRS audit if you would like to avoid severe penalties, further IRS investigation, and potential incarceration.



Why would an IRS agent open up an IRS tax audit for additional years to review?

The short answer to the question of why an IRS agent would want to open up additional years for a taxpayer's IRS audit is because it automatically grants the IRS access to more information about the financial activity of that taxpayer. In many cases, it can double or triple the amount of financial information that the IRS has access to for review within a taxpayer's financial history. This is helpful to an IRS agent who is trying to find an issue that could turn the taxpayer's IRS audit into a criminal investigation.

If the IRS requests to review more years during your IRS audit, understand that their motive is not to clear a taxpayer's name but to catch them in activity that would do just the opposite and incriminate them, or, at the very least, increase the taxes and penalties the taxpayer must pay or generate a large penalty.

How many years can the IRS go back in a tax audit during a typical IRS tax audit?

Typically, the IRS can go back **three years**. This lookback period could be extended to six years in certain circumstances, as outlined above.

What type of information is provided in the typical IRS tax audit?

The IRS will typically send the taxpayer under audit a written request that details the documents they would like to review for the IRS audit. There is an array of different types of documents that the IRS may want to review from a taxpayer. These documents typically include: receipts, bills, loan agreements, diaries, medical records, asset reports, bank statements, travel tickets, employment documents, and other legal documents.

Usually, the IRS is requesting documents that provide financial information because they are trying to analyze the taxpayer's financial numbers to get a better understanding of the taxpayer's finances. They use this documentation to determine whether or not deductions, income, and other credits were correctly reported by the taxpayer on their tax return. For business IRS audits, a company may also have their official records requested. From a business' official records, the IRS can sometimes determine whether or not to expand the scope of the IRS audit or if it needs to turn into a criminal investigation.

How does the IRS usually complete an IRS tax audit?

Typically, an IRS audit is concluded once the IRS has reviewed all the requested documentation, and they have made a decision as to whether or not a change will be made for the taxpayer. Again, the amount of time an IRS audit takes to be completed by the IRS varies depending on the type of audit and surrounding circumstances, such as the willingness of the taxpayer to cooperate, professionalism of counsel, and any irregularities that may pop up during the investigation.

If the taxpayer's IRS audit attorney sends the IRS the taxpayer's information in an organized fashion and with appropriate explanations, the length of time it takes for the IRS to review the documents and complete the IRS audit could be reduced. Without the help of an IRS audit attorney, the length of time of the IRS audit could be excessively extended due to a greater amount of time spent by the IRS trying to sort through the taxpayer's information and paperwork and fumbling through the process.

What type of document is produced when an IRS agent completes an IRS tax audit?

After the IRS has completed the taxpayer's IRS audit, they produce an examination report called the "Revenue Agent's Report," or the "RAR," in which they share their verdict regarding the accuracy of the taxpayer's financial reporting. Their conclusions can then be agreed upon or rejected by the taxpayer under IRS audit and/or their IRS audit attorney.

According to the Taxpayer Advocate, every taxpayer has a right to challenge the IRS's position and "be heard." If a taxpayer receives a RAR that they suspect is discriminatory or unrepresentative of the truth, they should consult with an IRS audit attorney to determine the next best steps to bring about justice in their IRS audit case. This could save the taxpayer millions of dollars in taxes, penalties, and fees.

A former IRS attorney such as Boston tax attorney, Kevin E. Thorn is necessary because they are professionally trained to interpret RARs. Mr. Thorn can determine whether or not the RAR is fair and is skilled at finding areas within the RAR that are problematic, unfair, or incorrect on behalf of his clients.

What type of information does the IRS agent produce in an IRS Revenue Agent Report ("RAR")?

The RAR may be confusing for some taxpayers to interpret, especially due to the complicated terminology and calculation methods used by the IRS.

- **Adjustments:** The IRS's Revenue Agent Report generally includes any adjustments the IRS agent would like to make to the financial information and taxes provided by the taxpayer. Usually, these adjustments are not made in the taxpayer's favor. Having a former IRS attorney review the adjustments could ensure that your IRS audit was fair and that the IRS agent's interpretation of the financial information provided by the taxpayer accurately reflects the taxpayer's finances.
- **Tax:** The RAR also includes adjusted tax. Often, the adjusted tax reflects taxes that the IRS claims are still owed by the taxpayer and that were not accurately paid or reported. An experienced IRS audit attorney may help you find grounds for a tax refund.
- **Interest:** The report includes interest that may have accrued due to tax that was due but not reported correctly or paid on time by the taxpayer. The interest rates used by the IRS can vary, and again it is crucial that a former IRS attorney reviews them to ensure that the interest rates are fair and consistent with US Tax Law.
- **Penalties:** Lastly, the Revenue Agent's Report includes any and all penalties that may have been assigned to the taxpayer due to their noncompliance. Different offenses and forms warrant different penalties. Especially in cases of fraud or willful tax evasion, the IRS may assign large penalties as a punishment and a deterrent from further tax abuse.

An experienced IRS tax audit attorney can help to decipher your RAR. Your attorney should work tirelessly to make sure that your audit results are accurate, fair, and the least damaging to you as possible. The attorneys at Thorn Law Group can also work with you to reduce penalties, interest, and tax and uncover IRS agent abuse, all while avoiding the unfortunate fate of an IRS criminal investigation.

What types of penalties can an IRS agent list out in an IRS tax audit report?

- **Failure to file:** If an individual taxpayer or company does not file their tax returns, they are in clear violation of US Tax Law. In cases where there is a failure to file some or all the required tax forms, the IRS will determine an appropriate penalty that will need to be paid at the conclusion of the IRS audit. This penalty balance will be included in the RAR.
- **Failure to pay:** If an individual taxpayer or company does not pay their taxes, the IRS will assess a penalty congruent to the amount of tax owed. Failure to pay taxes, or tax evasion, is punishable under the US Tax Code. Again, this information will be made available and explained in the RAR.
- **Failure to make estimated payments:** If a taxpayer or company does not pay estimated payments, the IRS is within its jurisdiction to add additional penalty as well. This information will be included in the RAR.
- **Fraud:** If the IRS Revenue Agent find that the taxpayer's underreporting of income or taxes was due to fraud, the IRS can propose and assess a civil penalty of 75% of the taxes due. What types of penalties exist for an IRS tax audit failure to file international tax reporting forms?

The following IRS penalties apply to taxpayers who fail to file international tax reporting forms:

- **FBAR:** The greater of \$10,000 or up to 50% of the highest value of the undisclosed foreign account.
- **8938:** \$10,000 (and a penalty up to \$50,000 for continued failure after IRS notification).
- **5471:** \$10,000 for each Form 5471 that is filed after the due date of the income tax return or does not include complete and accurate information.
- **3520:** The greater of \$10,000 or 35% of the gross value of any property transferred to a foreign trust, 35% of the gross value of the distributions received from a foreign trust, or 5% of the gross value of the portion of the foreign trust's assets treated as owned by a US person.
- **3520A:** The greater of \$10,000 or 5% of the gross value of the portion of the trust's assets.
- **926:** 10% of the value of the property transferred to the foreign corporation, with a \$100,000 limit.

What do you do if you agree with IRS tax audit charges?

If a taxpayer agrees with the IRS' evaluation, they can end the entire IRS audit process by agreeing to the terms as they are outlined in the Revenue Agent's report and signing it. By doing so, the taxpayer agrees to pay the outstanding penalties, interest, and tax that the revenue agent has assigned. It is important to remember that by signing the document, you are legally bound to comply with the changes.

Before taking such a step, you should consult with an experienced IRS audit attorney, such as Kevin E. Thorn of Thorn Law Group, who can review the document and reassure you that the terms and conditions are fair.

The Revenue Agent's Report is never a simple document. Do not be tricked into signing something that could cost you a lot more than it appears. Seek counsel and the assurance that you are getting the fairest and advantageous conclusion to your IRS audit.

When is an IRS tax audit officially completed?

The IRS audit is officially over once the individual or business under audit signs the Revenue Agent Report. If money is still owed to the IRS, a payment plan will be established, and the collection details will be included in a signed agreement between the taxpayer and the IRS.

What if you disagree with the IRS tax audit charges?

If a taxpayer disagrees with the Revenue Agent's proposed audit charges, there are several options available to dispute the charges. An experienced IRS audit attorney can help identify the best option for an independent review of the IRS audit.

After being involved in an IRS tax audit, are you likely to be audited again?

While being audited will not initially increase the risk of another IRS audit, if the IRS catches certain irregularities in your tax returns during or after your first audit, you may receive another audit notice. The IRS could chalk this up to "random selection," or, they could cite the irregularities. Most of the time, a new IRS agent is assigned to the case and heads the audit. Either way, it can be beneficial to have an IRS audit attorney on deck to assist with any additional subsequent IRS audits.

How often can the IRS audit you?

There is no legal limit to how many times the IRS can audit a taxpayer, business, trust, foundation, etc. The IRS can justify any audit they conduct via a random selection or suspicious activity. This can be problematic for a number of reasons.

- If the IRS audits a taxpayer and finds no evidence of criminal activity or taxes due, yet has a suspicion that the taxpayer's financial activity is not completely in line with US Tax Code, they can conduct another IRS audit the next year, and every year after that if they desire or see fit.
- The chances of the IRS finding something that could have a negative effect on the taxpayer increases each time the taxpayer is audited.
- The chances of the IRS opening a criminal investigation also increases each time the taxpayer is audited. Both scenarios have a negative result for the taxpayer overall.

A repeated IRS audit is also problematic because the process is expensive and stressful for the taxpayer. This is especially true of one who fails to hire a former IRS attorney, like Kevin E. Thorn, to assist.

Is it against the law for the IRS to audit you every year?

No, as a powerful government agency, the IRS has both the power and the jurisdiction to audit any US taxpayer or business as many times as they see fit. The IRS could potentially audit a taxpayer every single year they pay taxes for his or her entire life. While this may seem unfair, it is not illegal.



The IRS could potentially audit a taxpayer every single year they pay taxes for his or her entire life. While this may seem unfair, it is not illegal.

If you believe you are being unfairly targeted, however, you could seek the help of the US Taxpayer Advocate through the connections of an IRS audit attorney. This agency works to ensure that US taxpayers are being treated with respect by the IRS and that their rights are

not being violated. An experienced IRS audit attorney knows how to present the case to get results.

What are my rights as a US taxpayer?

A great resource for understanding your rights as a US taxpayer is the US Taxpayer Advocate Service. As a subset of the IRS, this agency works to ensure that all taxpayer rights are protected and that taxpayers are treated fairly by the IRS. According to the Taxpayer Advocate Service, every US taxpayer has the following rights:

- The **right to be informed** about their taxes and how to fill out their IRS forms, which includes periodic updates of the status of their IRS audit.
- The **right to be treated in a just and professional manner** by the IRS, which means that taxpayers have the right to ask questions and get a good understanding of their tax responsibilities and the items under review from the agents for the duration of their IRS audit.
- The **right to only pay what they owe**, nothing more and nothing less.
- The **right to challenge IRS findings**. This means that a taxpayer under audit can dispute the IRS' claims made in their RAR. In doing so, they can provide additional documentation, supplemental resources, legal documents and take action on their own behalf. The IRS has an obligation to the taxpayer to respond to all challenges.
- The **right to appeal** if an agreement cannot be reached. This appeals process is to be fair and unbiased. Taxpayers have the right to hire an IRS audit attorney to represent them in an agency appeal.
- The **right to finality** within each taxpayer's audit. This means the IRS audit may not last indefinitely, and the IRS must define the scope and timeframes within the audit.
- The **right to privacy and confidentiality**. The IRS personnel cannot share a taxpayer's personal or financial information or use information gained during an audit for personal gain. The IRS is to respect the privacy of the taxpayer and only intrude where is necessary. Having an IRS audit attorney on hand is helpful when it comes to protecting this right. An IRS audit attorney knows which questions are necessary and which questions are inappropriate.
- The **right to hire an IRS audit attorney** to represent them before the IRS and the US Tax Court.
- The **right to a fair and just tax system**, one that respects the taxpayer and audits as is necessary to ensure and safeguard the just tax system.

What if I believe my IRS audit was unfair?

If you believe your IRS audit was unfair, you can contact the US Taxpayer Advocate Service, an agency that ensures US taxpayers are not having their rights violated by the IRS. Again, this agency is focused on ensuring a just tax system. They can analyze a taxpayer's audit and assist where the IRS was clearly abusive. Their goal is to help a taxpayer fight for their personal tax justice.

The Treasury Inspector General for Tax Administration (TIGTA) is a Federal government office that was created to oversee the IRS and ensure that the IRS is fair, effective, and efficient. This office is independent of the IRS and is instrumental in protecting the rights of US taxpayers and watching over the IRS to prevent fraud and abuse. This agency has recommended corrections and modifications to the IRS audit system and has called for improvement. TIGTA is always willing to advocate for a taxpayer who believes their audit was unfair.

An experienced IRS audit attorney can best present the facts of your case and the IRS violations to the Taxpayer Advocate Service and TIGTA, and work with these agencies to ensure your case gets the attention it deserves.

When does an IRS tax audit turn criminal?

If, through the audit process, the IRS uncovers information that indicates that criminal activity was committed, the IRS will commence the process of making the examination a criminal investigation. Areas that could spur on a criminal investigation, include suspected:

- money laundering,
- tax evasion,
- hiding offshore assets,
- undisclosed foreign bank accounts,
- tax fraud,
- Substantial unpaid tax.

The IRS Criminal Investigation (CI) is a distinct sector of the IRS that is made up of special agents. These special agents investigate criminal activity in several different ways, but when an audit turns criminal, all the necessary paperwork is turned into these special agents who take over.

What do I do if my IRS tax audit goes criminal?

If your IRS audit turns criminal, do not panic! It is imperative that you hire an experienced IRS audit attorney to represent you. An IRS criminal investigation is invasive, time-consuming, and costly. In order to protect yourself, you should hire someone who can advocate for you and who is experienced in dealing with the IRS.



What should I do if I am contacted by an IRS agent (or an IRS Special Agent from the criminal investigation division) at the beginning or the end of my IRS tax audit?

- **What should I do if they contact me via mail?** Forward all mail to your IRS tax audit attorney, immediately and do not speak with the Agent.
- **What should I do if they show up at my house?** If an IRS agent shows up at your house, do not talk to them. Politely ask them to leave and inform them that your IRS audit attorney will be speaking on your behalf and will provide them with whatever document or information they may need.
- **What should I do if they threaten me?** You have rights as a taxpayer including the right to be treated with respect. If you are threatened by an IRS agent, you can contact the National Taxpayer Advocate Service and you should refer to the Taxpayer Bill of Rights.

Work with a Tax Attorney

Mr. Thorn is the Managing Partner of Thorn Law Group. As a former IRS Attorney, Mr. Thorn has successfully helped hundreds of individuals, business, trusts, and foundations from around the country, and across the globe, with a variety of different types of IRS tax audits and state tax audits:

- Correspondence and Face-To-Face IRS Tax Audits
- Individual/Personal IRS Tax Audits
- Business IRS Tax Audits
- International IRS Tax Audits of Companies and Individuals
- Cryptocurrency IRS Tax Audits
- Eggshell IRS Tax Audits
- Trust Fund IRS Tax Audits
- Employment IRS Tax Audits
- Criminal IRS Tax Audits
- Gentlemen's Club IRS Tax Audits
- IRS Small Business and Professional IRS Tax Audits
- IRS Real Estate Audits

To be clear, before any taxpayer calls, writes anything, or considers meeting with the IRS or an IRS Agent, call me, **Kevin E. Thorn, Managing Partner of Thorn Law Group, at 617-692-2989**, and discover how my firm and I, can help an individual taxpayer or business save thousands of dollars in penalties and interest.



THORN LAW GROUP
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