Money

10 Tax Myths About IRS Audits That You Shouldn't Believe

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Myth: You have your refund so you won't get audited.

The fear of being audited by the IRS is a deep-seated one for many Americans—and is probably a reason why21% of taxpayers would be willing get an IRS tattoo if it meant never heaving to deal with the agency again.

Like many things that provoke fear, IRS audits (which the IRS actually calls "examinations") are associated in the popular imagination with a web of rumor, legend, and speculation—a web that the IRS reinforces by traditionally being a little cagey about its audit processes.

Some of these notions are clearly false, having been disproved by experts or even contradicted by the IRS itself. Other audit legends are all but impossible to rule out—or, for that matter, to verify—and thus not a factor on which you should base your tax-paying decisions.

Here are 10 common myths *not* to believe.

1) E-Filing is more likely to trigger audits

E-Filing is far and away the norm now, accounting foraround 90% of all returns. But does it make you more likely to be audited? The IRS doesn't release statistics that can definitively answer this question, but we can draw some conclusions from what we do know. The IRS has said that handwritten returns are 20 times more likely to have mistakes on them than e-filed returns—and that mistakes beget a second look by a human. That argues for e-filing.

2) Amending your return triggers an audit

The IRS flatly dismisses this myth. Of course, your second return does get screened, just like the first. And according to TurboTax, filling out your 1040X with a thorough explanation of about why you're amending can stave off a human audit, even if your return does get flagged by the computers.

3) IRS agents will knock on your door

This one is partly myth. Yes, sometimes the IRS will schedule an examination at your home or workplace. But 70% of audits take place entirely by mail. It's also worth noting that the IRS does not contact taxpayers by email, so any email purporting to be from the IRS auditor is spam or a scam.

4) IRS doesn't use the phone

There's been an uptick in phone and email-based IRS scams. But you can't hang up immediately because the IRS*does* in fact contact taxpayers by phone regarding potential audits—sometimes even for the first interaction. If you are suspicious of a caller—and you should be—take a name and extension number and call the main IRS toll-free number: 800-829-1040. And know that a real IRS agent will *never*ask you to give out a bank account, credit card, or

Social Security number over the phone.

5) Fewer audits is a good for everybody

Nobody likes to be audited, so fewer audits is a good thing, right? Well, according to the IRS, the 12% reduction in audits between 2013 and 2014 (due to the agency's shrinking budget) cost the federal government about $2 billion in revenue. Having less revenue makes it harder to reduce taxes, which is *not* a good thing.

6) Filing late raises audit risk

Some people are under the impression that using an extension to file late increases your chance of getting audited. The IRS doesn't enumerate the factors that can trigger an audit, and opinion is divided on this one. But tax lawyer Robert Wood, writing for Forbes, reckons that filing late actually *decreases* your chances of getting audited because the extra time means a less rushed and more thoroughly prepared tax return.

7) Audits are a horrifying experience

Personal finance expert Liz Weston, writing for NerdWallet last month, noted that Congress restructured the IRS in 1998 in response to complaints about over-the-top enforcement actions, ordering it to focus more on taxpayer rights and customer service. "Back in the day, the IRS was this big scary agency that came in and took over your house and went all through your records," Melanie Lauridsen, senior technical manager for the American Institute of Certified Public Accountants, told Weston. "Now they try to work with the taxpayer." And remember, 70% of examinations are done by mail.

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8) Only the rich get audited

It's true that wealthier people stand a significantly higher chance of being audited. As MONEY explained last year, "People who make less than $200,000 in a year get audited

1% of the time, and this percent goes up with income. If you make over $500,000, you face a 3.62% chance. If you make over $1 million, it almost doubles. At the highest level, those lucky enough to earn $10 million in a year face unlucky 16.22% odds of an audit." But even at an audit rate of 1% per year, you stand a 26% chance of being audited over a 30-year period. Meanwhile, if anything, the data suggest that the middle class is gaining on the rich in audit rates: A 2015 Forbes article noted that "families earning less than $100,000 a year have seen their tax audit risk increase by 17% since 2010" while "Americans earning more than $100,000 per year has seen their risk of a tax audit decrease by 8%."

9) Lots of deductions means more audits

Taking a ton of deductions does not automatically trigger an audit. The scanning system does compare your return to similar ones that share many characteristics, and yours could stick out if you take some unlikely deductions—say, charitable deductions that amount to more than your income. But a long list of legit deductions won't by itself raise a red flag.

10) The audit risk is over when you get your refund check

You got the refund check in the mail, so you're in the clear, right? Wrong! Since the IRS has to pay you interest if it doesn't issue you a refund within 45 days of Tax Day—if you're due one—it sometimes sends a check and initiates an audit later. Normally, the IRS is allowed to go back up to three years to audit someone, or up to six years if there's been a big error.