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IRS Strides Toward Six Year Audit Period!

One small step for man, one giant leap for mankind sounds noble. Less nobly, the IRS is taking steps and leaps simultaneously to reach back a long six years into your past tax filings. That's the result of the latest tax case about the three year versus six year IRS statute of limitations.

When is your return really safe from audit? See [IRS Statute Of Limitations—Is Your Return Safe?](#) Not for six years, it seems.

The latest skirmish in this epic battle over how long the IRS can audit is [Salman Ranch, LTD](#), where the Court of Appeals for the Tenth Circuit held the IRS could go back six years, not just three. There are numerous cases now, and here's how the Circuit Courts around the country stack up:

CIRCUIT	RESULT
Seventh: Beard v. Comm'r Federal: Grapevine Imports Ltd. v. U.S. Tenth: Salman Ranch v. Comm'r	IRS wins and six-year statute of limitations applies.
Fourth: Home Concrete & Supply LLC v. U.S. Fifth: Burks v. U.S. Ninth: Bakersfield Energy Partners LP v. Comm'r	IRS loses so is limited to three-year statute.

The good news is that most of the time the IRS only gets three years. See [Even The IRS Has Time Limits](#). With your tax return due April 15, the

statute of limitations normally runs three years later. If you file early, the statute runs three years after the due date. If you file late without an extension, the statute runs three years following your actual (late) filing date.

But the IRS gets double time for a “substantial understatement of income”—where you omit 25% or more. The IRS argues that anything having the **effect** of omitting 25%— like an inflated tax basis — triggers three extra years. It pays to monitor when the statute expires so you know when a particular year is in the clear.

Six Year Risk. Exactly what it means to omit 25% or more of your gross income is the subject of bitter litigation. See [IRS Pushes For 6 Years To Audit!](#) The IRS has pushed especially hard for six years on basis over-statements. See [IRS Wins Big In Six Year Audit Push](#).

Example: You sell a piece of property for \$3 million, claiming that your basis (what you have invested in the property) was \$1.5 million. In fact, your basis was only \$500,000. The effect of your basis overstatement was that you paid tax on \$1.5 million of gain when you should have paid tax on \$2.5 million. Your basis over-statement probably means a six-year statute applies.

This fight isn't over. See [Taxpayer Wins Latest 6 Year Audit Fight](#). Stay tuned.

For more, see:

[What Triggers IRS Statute Of Limitations?](#)

[Even The IRS Has Time Limits](#)

[IRS Statute of Limitations, Training 4213-021](#)

[IRS Statute of Limitations Processes and Procedures](#)

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