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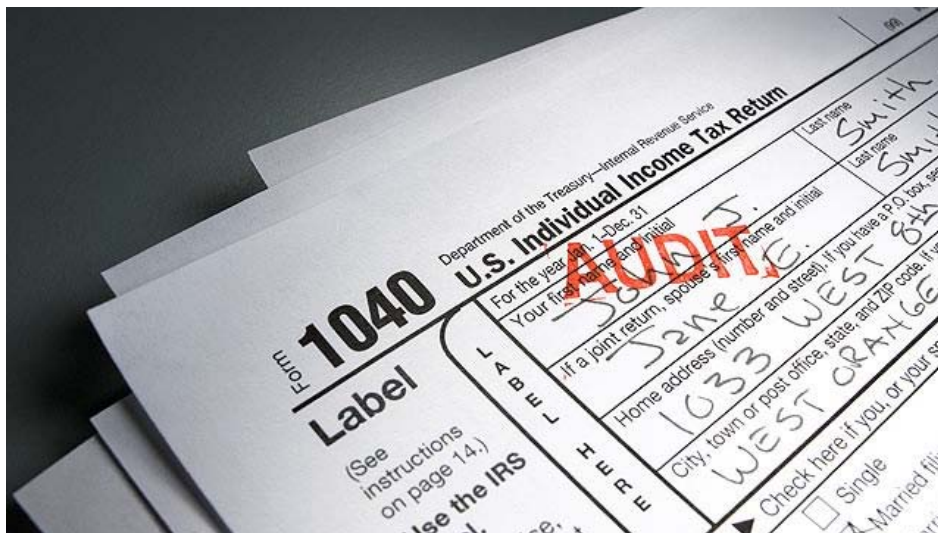
THE TAX LAWYER

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Reduced IRS Audits? Actually, IRS Cuts Corners, Audits Faster, Bills Sooner

The IRS brass has complained bitterly that IRS budgets are at an all-time low. IRS Commissioner Koskinen has told employees to do more with less. That means many people are assuming the chances of audit are going down steeply, a reasonable assumption given the statistics. Yet the New York Times is warning the public to [beware of the IRS's speeded-up audit](#).

It can make you wonder whether you accounted for every Form W-2 and 1099, used correct math, and matched all other data. Did you report big losses or deduct other unusual items? There are [ways to try to audit proof your tax return](#), and even [more ways](#), but some of it is just luck. Given IRS budget cuts and the resources the IRS must devote to Obamacare, the IRS is stretched thin. Most audits must happen within 3 years, but eventually, you know you're in the clear. Until then, you might be on edge about having to defend your return.



Statistics show that there is now a [6-year low](#) in audits of high income taxpayers. The examination may be in person or via correspondence, but these days, correspondence is more common. Back in 2011, you stood about a 1 in 90 chance of an audit. But if your income was over \$1 million in 2011, you stood a 1 in 8 chance of audit.

But now, that high income audit rate has dropped down to a 1 in 13 chance. Audit rates rose steadily from 2005-2010. But since then, the number of individual audits fell 21.4% for the next five years. Your deductions matter, your tax credits, and even which specific items you claim. As to the speed factor, there is no way to know how many audits are being done more quickly.

One big variable is when the IRS will issue a Notice of Deficiency. That is the key procedural step that means your tax dispute has escalated and is going to court. A Notice of Deficiency must be sent certified mail, and the only way to keep the tax bill from becoming final is to file a Petition in U.S. Tax Court within 90 days of the Notice of Deficiency.

The enhanced speed at which the IRS can take such a pivotal action caused the New York Times to grouse. Some of the new streamlined ways in which the IRS processes audits and disputes could even violate the [taxpayer bill of rights](#). That's a serious accusation. Not long ago, the steps and time periods between them were far more manageable. There used to reliably be an Examination Report. Most tax lawyers call the Examination Report and accompanying letter a "30-day letter"—it will say you have 30 days to respond in a so-called administrative protest.

If you fail to protest or you don't resolve your case at IRS Appeals, you'll next receive a Notice of Deficiency. An IRS Notice of Deficiency comes via certified mail. A Notice of Deficiency is often called a 90-day letter, because you'll have 90 days to respond. The IRS is required to prominently display on page one of the Notice of Deficiency the actual deadline for your response.

If there is a rush to conclude an IRS audit, it is still possible to contest it. But just be sure that you are following all key dates and looking closely at what must be sent when.

For alerts to future tax articles, follow me on Forbes. You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.