

THE VISIBILITY REPORT

newsletter by: **BOOKKEEPING MATTERS INC.**

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A NOTE FROM JENNIFER

I can hardly believe that it's already the last quarter of 2010. Where did the year go? I'm sure you're in the same boat I am, bewildered at the passage of time and wondering what you can do to close out the year on a high note. I hope you'll join me in investing in yourself and your business over the next 30 days by doing some end of year tax planning and some strategic business growth planning. If you need help with charting the course you want to take in your business and your finances, please give me a call! Working together, we can create a plan to help make 2011 your most profitable, most successful year yet.

Your partner in profits, *Jennifer*

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THE VISIBILITY REPORT is a monthly newsletter published by Bookkeeping Matters, Inc.

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FEATURE ARTICLE

Undergoing an IRS Audit by B. Watkins

When the IRS questions the contents of your return, they can audit it. While a tax audit is by definition a review of the information included on your return, the only "successful" audit (to the IRS) is one that creates a larger tax due.

How Does an IRS Audit Happen?

If the changes to your income do not exceed 25% of the total, the IRS has three years to audit if the return was filed on time. This span is increased to six years for changes greater than 25% to income surface. In cases where they deem your return fraudulent, there is no expiration for an audit.

Returns are chosen to be audited at random by computer algorithms. Your chances of being selected are about 1 in 200. The presence of these factors can increase the likelihood that a return will be audited:

- Excessive expenses with self employment income
- A business operating at a loss for more than one year
- Filing your return electronically (simpler to compare against prior years' records)
- Omitting data that is reported to the IRS from other sources

Types of Audit

There are three types of tax audit with the IRS:

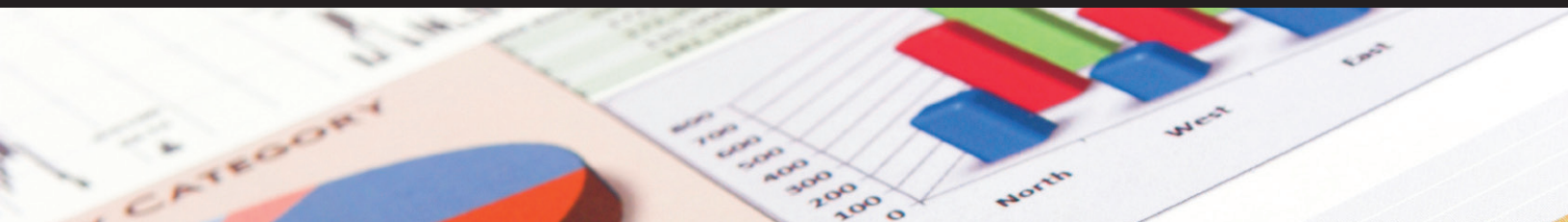
- Correspondence Audit
- Office Audit
- IRS Field Audit

Correspondence Audit

The correspondence audit is by letter, which can be a CP2000, substitute returns letter, or late filing. The IRS audit letter proposes changes, to which the tax payer can respond by either refuting or accepting them.

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Office Audit

The office audit is assigned to a tax examiner. This person will review bank deposits, income, and proof of deductions. A tax payer will be notified of the proposed changes.

Field Audit

Field audits are the most serious, involving an IRS revenue agent visiting the tax payer or business and conducting an investigation. The goal of these audits is often a fraud referral. What the field agent will explore is much more extensive than the prior two audit types.

So You're Under Audit...What Now?

Once the IRS has started the audit, you have a few options. If you lack the documentation to refute the changes they've proposed, you can simply let the audit happen and begin negotiations after the balance is assessed. If, on the other hand, you feel the audit is unjustified or that you can prove the validity of the original information now being questioned, you can contact your auditor. It is always wise to obtain experienced representation, as details presented in the wrong way can be harmful.

If no resolution can be met with the auditor, the tax payer can either bring it up with the auditor's supervisor or contact the Taxpayer Advocate's Office.

Your Rights Under An IRS Audit

The IRS must make you aware you are being audited. Any banks, neighbors, friends, family, or coworkers contacted during exam must be disclosed. You have the right to see this list.

For any financial info they ask for, you have the right to know the purpose and how it will be used. This data must also be kept discrete and dealt with professionally. If you do not feel your audit was handled professionally, you can contact the office's supervisor or the District Director. You also have the right to representation under audit. This person can speak on your behalf and appear in your place.

You can challenge the audit if they've questioned the same items before within the last two years' returns. The former audit must not have resulted in changes to your tax bill. If you can show this is the case, you may avoid the audit entirely.

FURTHER READING

Audit Representation [<http://www.effectur.com/taxsolutions/auditrepresentation.aspx>]

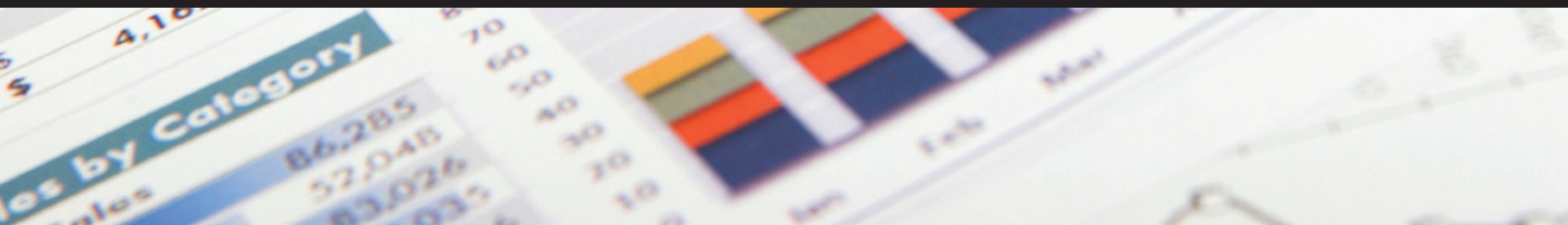
Audit Info at IRS Mind.

Brian Watkins is a former Account Executive at Effectur, Inc. He coordinated the efforts of enrolled agents and other professionals to resolve client tax matters, managing roughly 180 cases. With first-hand customer and IRS experience, Brian aims to educate others as a writer for Effectur.

Article Source: http://EzineArticles.com/?expert=B._Watkins

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IMPORTANT NEWS

QuickBooks 2011 is Here!

QuickBooks Pro and Premier 2011, which went on sale at the end of September, builds on prior versions of the software by streamlining important accounting tasks, such as invoicing and collecting payments. The new Customer Snapshot and Customer and Vendor History features provide at-a-glance views of important customer and vendor details. Users can also take advantage of the power of QuickBooks Connect, a new service that lets small businesses access key QuickBooks data remotely via the Internet or a mobile device. Should you update to QB 2011? If you are using QB 2008 or earlier and use one of their auxiliary services such as payroll or merchant service processing, you will need to upgrade to the new software by May 2011 in order to continue using those services. Click here to get your copy of QB 2011 for 20% off using my ProAdvisor discount.

QUICKBOOKS TIPS

Put automation to work.

Automate monthly transactions by memorizing and grouping them. You can set groups of transactions to execute automatically or remind you when it's time to run them. To create a memorized transaction:

- Display the transaction you want to memorize.
- Click Edit > Memorize (or click CTRL-M).
- In the Memorize Transaction dialogue box, enter a name for the transaction and set the frequency with which you want the transaction to be executed. Click the appropriate radio button to be reminded to execute the transaction or to have it post automatically.
- If you have already set up Memorized Groups, you can add this transaction to a Group at this time. If you haven't set up Groups yet, click OK. You can add this transaction to a Group later if you choose.

CLIENT SPOTLIGHT **habitat media**

About Habitat Media: Habitat Media is an award-winning non-profit, 501 (c)(3) production group with a history of making engaging media that inspire citizen participation—programs that motivate millions of viewers to help make the world a better place. Founded in 1992, they are best known for their landmark PBS Special documentary series: Empty Oceans, Empty Nets and the Emmy-nominated Farming the Seas. More about these films and their new film Priceless at www.habitatmedia.org.

Working With Bookkeeping Matters: BMI takes care of our bookkeeping, reconciling bank statements, and making sure our books are up-to-date and accurate for generating financial reports for funders and for filing our non-profit tax return with the state of Oregon and IRS. Their attention to these daunting tasks allows me to devote my time to filmmaking and gives peace of mind. Also, Jennifer is very professional with a sweet disposition and that's very much appreciated!

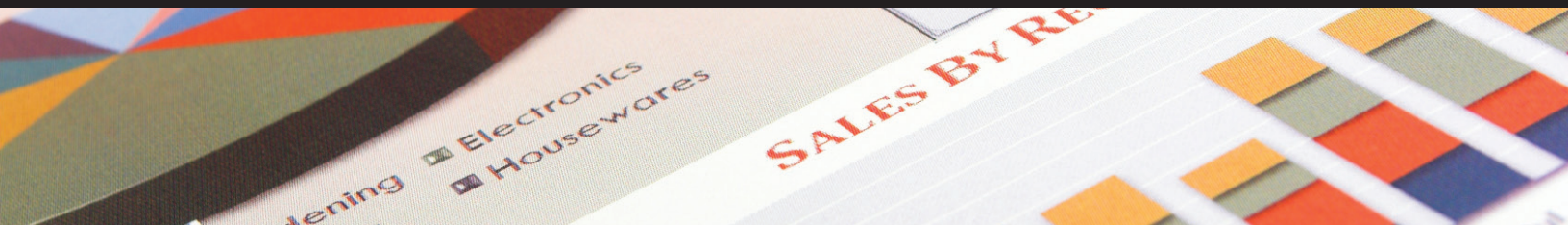


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TOOLS YOU CAN USE

Shoboxed.com is a simple, inexpensive service that's a great alternative to using NeatReceipts.

Users basically just need to pay a low monthly fee to send in their receipts, business cards and documents via mail or mobile phone, and the people at Shoboxed will do the scanning, data extraction and verification for you.

Once done, everything is organized for you via an online account which you can access at any time. The expenses details in your account can also be easily exported to various formats, even QuickBooks!

Some key benefits of Shoboxed include:

- No need to purchase expensive scanners
- No need to rely on your hard disk for data storage
- No need to waste time scanning and data entering documents

Like what you see?

Then check out Shoboxed - the alternative to DIY receipt scanning!



EXPERT INTERVIEW

Strategies for avoiding an IRS audit from a local tax coach and former IRS auditor

In this month's newsletter, I interview David Tuck of Anvil Tax in Portland, on strategies for avoiding an IRS audit. David founded his company in 2007 after seeing a great need for strategic tax planning prior to annual tax return preparation. His years of experience working as an IRS auditor left David with a great desire to help people save tax dollars which could be re-invested into their families, businesses, and communities. He is devoted to helping his clients develop personalized tax strategies that will reduce their overall tax liability and decrease their audit risk. Visit the October Visibility Report on our web site to listen to the interview.



Anvil Tax, Inc.
What is your tax strategy?

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