

# Nabbed by the IRS?

## Here's what to do in case of an audit

Topics featured in this column will alternate each week between Alexander Grant & Co., Plante & Moran, Price Waterhouse & Co., Laventhol & Horwath and the Michigan Association of Certified Public Accountants. Today's column was prepared by The Michigan CPAs.

The Internal Revenue Service randomly selects some tax returns for special audits each year. This should be kept in mind while you prepare your 1980 federal income tax return.

If your returns are audited, that does not necessarily mean there is something wrong with them. It does mean your tax return will be examined in detail as part of an ongoing IRS study of the degree of taxpayer compliance with the Internal Revenue Code.

Expect to be questioned in depth about any aspect of your return and

about the financial data not included on the return.

Even if the IRS computer pulls your return for review, an individual looks it over before contacting you. The IRS usually looks for returns that will produce the favorable results (for them) with the least amount of time and effort.

So if your return looks "hard to audit," meaning you include adequate documentation for deductions and attach all necessary forms, you may escape further scrutiny.

If you were unable to document a substantial deduction, the possibilities are better for the agent to keep digging.

**YOU CAN LESSEN** the chance of an audit by making certain your return is neat and legible and that the math is correct. Use a calculator to check the amounts.

### tax topics

If you own a business, your tax return is probably more complicated than that of other individuals and there is an even greater need for keeping good records to support the claims on your return.

Some well-known red flags for the IRS auditors are travel and entertainment expenses for company owned planes or boats and business trips to resort areas. In general, you need accurate records for travel and entertainment deductions. Suspiciously high compensation or fringe benefits to company executives will also catch the auditor's eye.

Remember that your return is usually subject to an audit for three years. If

tax fraud is proved or income is understated by more than 25 percent, the IRS can check back six years.

Since an audit usually takes place a year or two after your return has been filed, you can't rely on memory alone to answer the auditor's questions. Also, your memory is not considered adequate documentation for the deductibility of an expense.

**WHILE EVENTS** are still fresh in mind and the documentation is at hand, assemble the facts that will support your 1980 tax return. To do this, retain pertinent receipts and cancelled checks and store them with your copy of the return.

When you are called in for an audit, the IRS will generally indicated the areas in question, so bring to the meeting documentation for just the matters in doubt.

The auditor may then end the audit or move on to other areas. However, if satisfactory documentation is not provided, it could prompt further audit or a full scale investigation.

If you are audited, the IRS agent will tell you what he thinks should be adjusted and let you know any additional tax or deficiency he has calculated. He may ask you to sign an agreement.

You do not have to accept his proposal or pay any additional tax at that time. The agent could possibly be wrong and taxpayers have been known to win their cases.

It is important to be represented by a qualified professional. You generally have 30 days, which may be extended, to either pay or file a protest.

### datebook.

"STRATEGIC Planning in a Changing Environment, How Small Business Can Survive" is the topic of a one-day Continuing Professional Education Department seminar at Walsh College of Troy 9 a.m. to 4 p.m. Friday. Various business professionals will present the conference. For reservations and details, call 689-8282.

**THE FINANCIAL** Analysts Society of Detroit will host a field trip to Ann Arbor Friday to hear a presentation by Frank Lautenberg, chairman and chief executive officer of Automatic Data Processing Inc., on the company and the computing industry. Bus leaves Cobo Hall at 9:45 a.m. and returns about 2 p.m. For more details, call Robert Swaney at 963-5050.

**THE INDUSTRIAL** Marketers of Detroit and the Detroit Chapter, Business Professional Advertising Association will host Ziegenhagen Associates talking about "Who Should Lead the Client/Agency Team?" Thursday, April 15 starting at 11:30 a.m. with cocktails. Site is the Detroit Golf Club, 17911 Hamilton in Detroit. Cost is \$12 for members and \$15 for non-members or members at the door. Call Suzie at 645-0300 for more details and reservations by April 15.

**A FOUR-DAY** seminar on introduction to microprocessors will be April 20-23 at the Holiday Inn in Southfield sponsored by the Intel Corp. For more details, call Adrienne Firman at 353-0920.

**THE DETROIT** Chapter of the National Association of Accountants will feature Arthur Bartholomew, consultant to Ernst and Whinney, discussing current developments in accounting and auditing at its Thursday, April 16 dinner meeting at the Detroit Athletic Club, 241 Madison. Dinner starts at 6:30 p.m. Members and guests are invited. For reservations, call Robert Schafer at 259-4200.

**EDMUND BACON**, author, architect and urban planner, will present the second in his three-part architecture series at Lawrence Institute of Technology today at 7:30 p.m. Call 356-0200 for details.

### business people

**ROY PISASALE** of Troy was appointed assistant vice president, real estate loan, by Detroit Bank Corp. He was an assistant cashier.



PISASALE

**JOHN GRAHAM** of Troy was promoted to vice president in the personal department at Manufacturers National Bank of Detroit.



GRAHAM

**DAVID CURRIN** of Birmingham was promoted to associate administrator of Providence Hospital in Southfield. He was administrative assistant for information services.

**RICHARD CASELLI** of Rochester was promoted to the newly created position of district sales manager at the Troy office of Applicon Inc. He was branch sales manager.

**PETER CLUTHE** of Bloomfield Hills was named a vice president-group account supervisor. He was a marketing manager of Darcy-McManus & Masius.

**LYNNE MARKLING** was appointed director of sales for the Michigan Inn of Southfield. She was sales manager-national accounts for Westin Hotels in Chicago.

**CATHERINE O'MALLEY** of Farmington Hills is the new resident manager for the World of Shops at the Renaissance Center retail complex. She was administrative assistant to the vice president of operations of the Center Companies, the real estate development and management firm leasing and managing the World of Shops.

**W.R. WILLIAMS** of Southfield and **DAVID HUBBARD JR.** of Troy were elected vice presidents of Kenyon & Eckhardt Advertising Inc. of Birmingham. Williams was account supervisor for Dodge car national advertising. Hubbard was account supervisor for Dodge truck.

**D.M. ROSS** of Troy, manager of the Fisher Body metal fabricating plant in Grand Blanc, was appointed general director of the materials management section at Fisher Body general offices in Warren.

**MICHAEL ILITCH** of Bloomfield Hills, president of Little Caesar Enterprises Inc. of Farmington Hills, was appointed to the board of directors for the Michigan National Bank West Metro.



HEAD



JEFFRIES



BARON

**JOHN HEAD** of Rochester was named counsel at the Troy-based industrial Puels Corp., a subsidiary of Peoples Energy Corp. in Chicago. He was with Consolidated Coal Co. in Pittsburgh.

**CHRISTOPHER JEFFRIES** of Southfield and **WILLIAM BARON** of Troy were appointed vice presidents of the Samuel G. Keywell Co. Jeffries also is corporate secretary and a member of the board of directors of Key International.

**SUSAN BOROFKY** has joined the Jewish Community Center in West Bloomfield as an instructor. She is an actress and graduate of the University of Southern California with a master's in acting.

**JOHN WHITLEGE** of Bloomfield Hills was appointed vice president, trust planning, for Detroit Bank and Trust.

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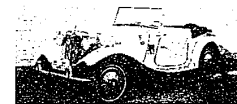
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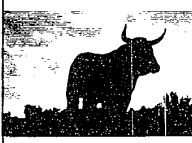
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