

What to Do if You Receive an Audit Letter

If you receive an audit letter telling you that you will be audited, take the opportunity to make sure your documentation is perfect.

Everyone thinks they know the basics. Just to be sure, click here to double check what the IRS says. [IRS Documentation Requirements.]

Besides those obvious requirements, you also need a narrative that explains who, what, why, when and where.

Write that on every receipt. Also write it in your log or journal. A journal or diary also provides the opportunity to clarify your position before providing it to the auditor. Done right, that the best documentation you can have. Among the items you log or journal should contain are ...

- Who, What, When, Where, Why and How?
- The date. When.
- Where you start the day
- What you did that day
- Whether you drove or flew
- What you purchased that day
- What your business mileage was that day
- Who you saw
- Where you stayed
- Who you were with
- What your valid business purpose was
- How you promoted your business
- Location in the evening
- How you got there
- What it cost
- Where you ate
- What you discussed
- Where you end the day
- Your valid business purpose

- Anything you can think of that can help

That will save you lots of headaches in the event controversy ever arises.

Audit Representation

In the unlikely event you get audited, you do not want to represent yourself before the IRS.

The reason is because if you are asked a question by the IRS, you have to answer it on the spot. You cannot say, “I don’t know,” “I don’t remember,” or, “I will have to find out.” At least not without arousing suspicion that you are lying.

But anybody else can do say that. In their case, it will probably true.

You also want to be represented by a person who is completely in your camp and on your side. You do not want a tax professional that has any doubts about network marketing or any doubts about what you are deducting. When a professional finds him or herself in a bind during a tax audit, it is very easy to say, “I told them not to do that. But they insisted.”

Conclusion

Despite the fact audits are about as much fun as a root canal, don’t be fearful. Simply follow the instructions above and everything should go smoothly.