

MAHANY & ERTL

America's Tax & Fraud Lawyers

IRS Announces Tough New Tax Audit Rules

Getting audited is never a fun process. Individuals are often terrified and even big businesses worry about the time required to comply with tax audits and the impact on their bottom line. If you are expecting things to get better, stop reading. Things could get much work beginning in January.

New IRS rules kick in at the beginning of the year for businesses and wealthy taxpayers. The new rules only apply to businesses or individuals worth more than \$10 million. The IRS' Large Business and International Division (LB&I) issued a memo indicating that auditors will be imposing strict new deadlines for information requests. That adds burdens to businesses who sometimes must put together tens of thousands of pages of information in order to comply with IRS Information Document Requests (IDRs).

Revenue agents and taxpayers can still negotiate the *initial* deadline for supplying documents to the IRS. If that deadline isn't met, however, a new 49-day countdown begins. The IRS will send two warning notices including a notice to the company's CFO if the taxpayer is a business. After the 49th day, revenue agents are instructed to seek court enforcement of their data demands.

An IRS IDR is not a public document meaning a business' competitors and creditors don't usually know of an audit. A court summons is a public document, however, and could scare investors.

If the IRS is true to its word, we expect to see many more summons enforcement actions. Depending on the company, those could hurt share prices and weaken confidence.

If your business is under audit, don't delay in seeking help. Once the initial deadline to provide documents goes by, you may not get a second chance.

About the author. Brian Mahany is an attorney at Mahany & Ertl. He and his firm have provided tax audit defense for all sized businesses from sole

proprietorships all the way up to a Fortune 500 corporation. Brian is a former agent, Assistant Attorney General – Tax and commissioner of Maine's state revenue agency. He and his team have decades of tax audit defense experience ready to businesses with any type of audit defense.

For more information, contact attorney Brian Mahany at brian@mahanyertl.com or by telephone at (414) 704-6731 (direct). All inquiries are protected by the attorney – client privilege and kept in complete confidence.