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During the past decade, the IRS has gotten more business-like about the taxpayers they select to audit. Like all smart businesses, the IRS wants to turn a profit these days. Currently, tax returns are selected for audit based on the chance that the IRS will find enough errors or missing income to generate additional taxes – and perhaps penalty and interest.

How can you avoid being caught in the IRS net?

When you file your tax return this year, here are some things you can do to make yourself less of an audit target:

1. Review all the dependents and taxpayers on your tax return. Make sure that names and Social Security numbers match. Verify dates of birth – they are important for a variety of tax credits. Most importantly, do not claim dependents that someone else is legitimately claiming on their tax return. IRS will initiate a correspondence audit – and when you lose, it may cost you more than just this year's taxes, penalty and interest. You may lose the right to future tax credits related to those dependents.
2. Make sure you report all the income that the IRS knows about. The IRS computer will be matching all the W-2s, 1099s and K-1s with your Social Security number on them. If you moved or don't believe you have them all, contact your employers or clients to get copies of the ones they sent to your old address. Or, have your

enrolled agent put your tax return on extension. They can request copies from the

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name, address and employer ID number. The IRS computer automatically cross references this information and sends notices disallowing the mortgage interest when there is no match.

5. Be sure to fill in the information about your (and your spouse's) occupation with a description that's specific to your main income source. Believe it or not, when filled in correctly, that helps the IRS computer eliminate you from audit.
6. When there is something unusual about your tax situation that needs additional explanation – explain. You can do this by filing a paper tax return and including a statement or attachments to clarify your unusual circumstances. Not only can a good explanation help you avoid an audit this year, it can limit your audit exposure to three years instead of six.

Most importantly, hire an enrolled agent (EA) to prepare your tax return – or at least, review it for audit potential. The EA is the highest designation the IRS issues to tax professionals. EAs can also help you find the best tax loopholes legally available to you.

Taxpayers can find an EA in by visiting the “Find an EA” directory at [www.naea.org](http://www.naea.org)

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