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## PRODUCT & SERVICE GUIDE

# 5 Tips to Help Small Businesses Reduce Risk of a Tax Audit

One of the most nerve wracking aspects about tax season for millions each year is the possibility of being audited. For small business owners and those who are self-employed, the chance of being audited is even greater.

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According to the Internal Revenue Service (IRS), over 230 million tax returns are expected to be filed each year. With that in mind, the October 15 deadline for those to file who requested a six-month extension is now upon us. One of the most nerve wracking aspects about tax season for millions each year is the possibility of being audited. For small business owners and those who are self-employed, the chance of being audited is even greater.

“Small business owners and those self employed are audited approximately seven percent of the time,” explains John Gregory, tax practitioner and founder of [1040Return.com](http://1040Return.com), a site providing tax preparation and resources. “That may not seem like much, until you start comparing the seven percent to the millions who have filed. Then it really adds up!”

Gregory, who specializes in tax preparation for small businesses and the self-employed, explains that the group runs a higher risk of being audited because they follow a Schedule C form. This form often brings with it some red flags to those who may be reviewing the returns. Here are 5 tips to help small businesses and the self-employed avoid being audited:

1. **Hire a professional.** It's easy for people to make mistakes if they try to prepare the tax documents themselves. Those who have a professional do the preparation are more likely to reduce the chances of having errors or overlooking important information that should be taken into account.
2. **Be honest.** While some people may find it tempting to lie about their income or expenses, it could come back to bite you. Those who are honest are going to fare far better all the way around when it comes to avoiding an audit and living through one.
3. **Review the numbers.** There are people who have entered the numbers incorrectly, which will throw everything off. Whether you do it yourself or you hire a professional to do it, you should review the numbers to make sure everything was entered correctly.
4. **Watch your deductibles.** Taking deductions can be tempting, especially for those who own their own business or are self-employed. However, if they are not done correctly, honestly, or they are not legitimate they can be a huge red flag that leads to an audit.
5. **File electronically.** When you file your tax return electronically you will reduce the risk of errors from the information being keyed in. It helps to streamline the process and ensure that the information you provided is recorded without any changes.

“There are other tips of the trade to help avoid audits,” adds Gregory. “On our website we provide resources, including videos and an expense log, that have been used to help people save thousands of dollars since we started doing this in 1998.”

1040Return.com provides tax software resources, information, tools, and more. It has been designed to help the self-employed and small business owner. They have also conducted research to calculate the average net profit for all 318 industries, based off of average gross sales. This free information helps small business owners maintain accurate records and provides an idea of IRS expectations. They also provide audit protection insurance that helps if there is ever an audit.

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