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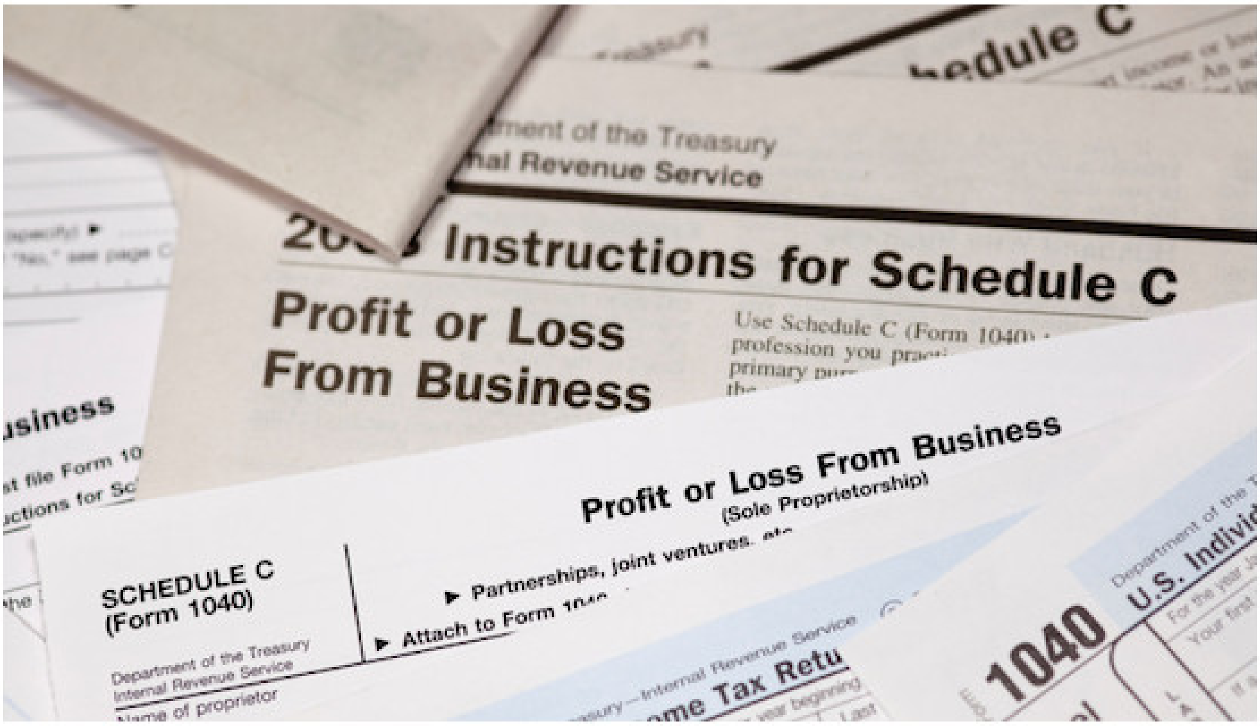
their bookkeeping, expense documentation, and other tax-related responsibilities.

Nov. 08, 2022



By Jim Conroy.

The Inflation Reduction Act of 2022, with its provision to add $80 billion of federal spending and potentially up to an additional 87,000 IRS employees over the next 10 years, is concerning to many who are wondering where those resources might be focused. Although the Treasury Department has stated that these resources would not be used to increase audit scrutiny in small businesses and lower income individuals, it is always a good business practice to ensure your clients are prepared for any scenario.

When addressing these types of concerns, Karen Kerrigan, president and CEO of the

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companies (LLCs), partnerships, S-corporations, and sole proprietorships have the advantage of being taxed once. However, some critics, such as Jim Blasingame of *The Small Business Advocate Radio Show*, have noted that the IRS was given the autonomy to determine which small businesses can receive the qualified business deduction defined by that law.

If Kerrigan and other concerned parties are correct, accountants will be dragged into the coming decade needing to document their clients' expenses as audits increase in both number and intensity. Unfortunate as it may be, you know that small business clients too often neglect their bookkeeping, expense documentation, and other tax-related responsibilities.

The burden of any audit will fall to the CPA, and it may not matter whether the CPA prepared the tax filing in question or not. If you have, you can be reasonably certain that the necessary documentation exists. You'll still be tapped to help prepare for the audit and participate. You could, however, be crushed by 16 tons of incorrectly recorded documents, missing invoices and receipts, and best-guess estimates when a new client comes to you having been invited to an audit by the IRS. So now — before the next tax year begins and the IRS employee job interviews are underway — is the time to find the proper tools to ensure the best possible result should your clients be snagged by audits.

For existing clients, reinforce any previous advice you've given them about what to track and when. Remind them that the future of their business hinges on accuracy. Lay out how an audit will rob them of time they could spend working on their business, and that the sloppier or more incomplete their records are, the longer the process will take. Remind them that there are financial, and sometimes criminal, penalties for inaccurate tax filings that can also place their business at risk. Remind them also that accurate financial records offer other benefits that make it possible to better grow their venture through smart decisions based on true data, and even

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Suggest clients have a simple tool that makes it easy to capture and organize financial documents in any format – scanning paper, snapping a photo with your phone, or capturing email receipts directly into a financial management system as they become available. These platforms can even use artificial intelligence to assign expenses to the proper account as they're secured, making the task even more straightforward. Your job as a CPA is to remind your client to be consistent about inputting their invoices and receipts into the system.

Only time will tell whether the small business backbone of America will be broken by the government's intent to beef up the IRS. But even if the clients of competing accounting practices are damaged, your clients can be insulated from harm if you insist that they take advantage of technology to capture the information you need to file taxes accurately. Their audit will be uncomplicated if it happens, and your work for them will be easier for you and your office.

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