



IRS more likely to question returns than taxpayers think

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IRS more than six times more likely to challenge returns than commonly reported

KANSAS CITY, Mo., March 12, 2018 (GLOBE NEWSWIRE) -- Every year, the IRS publishes a disarmingly low audit rate of one out of 143 (0.7 percent), for a total of a little more than a million taxpayers who get audited each year. But that little factoid is cold comfort to the millions of taxpayers who face “automated audits” each year. H&R Block (NYSE:HRB) advises taxpayers that, in reality, they have a one out of 23 chance of the IRS challenging some aspect of their return, a six-fold increase.

“The IRS has technology that makes it easier and more efficient for the IRS to challenge tax returns,” said Jim Buttonow, director of [H&R Block's Tax Audit and Notice Services](#). “The IRS has automated matching programs and filters to reach many more taxpayers than it could with traditional audits.”

IRS notices feel like audits to taxpayers

In 2011, the IRS Taxpayer Advocate reported that the IRS was reaching more taxpayers with automated systems. That year, the IRS conducted 1.56 million audits of individuals, but the IRS questioned more than 11 million additional tax returns using “automated audits.” In 2018, IRS systems continue to use automation to question returns.

“Technically, these aren’t audits. But that doesn’t really matter, because they feel like audits to most people when they get a letter from the IRS asking questions about their return,” said Buttonow. “And they act like audits in that you may have to submit additional information to the IRS, change your return, even pay more taxes or face penalties.”

The IRS questions many more returns than official audit rate shows

With automated processes and earlier deadlines for employers and other payers to submit information reporting documents to the IRS, the IRS can automatically match taxpayers’ returns against Forms 1099 and W-2. When there’s a mismatch (commonly, when taxpayers leave income off their returns), the IRS sends a notice asking for explanation. In 2016, the IRS conducted a little over a million audits on individuals – and sent 3.5 times as many [underreporting inquiries](#) (known by the IRS letter called the “matching” or “CP2000” notice).

“CP2000 notices don’t ask you for records to prove your income, deductions or credits. But they do propose additional taxes, penalties, and interest on your filed tax return,” said Buttonow. “To a taxpayer, that’s an audit. ‘Math error authority’ is another way for the IRS to screen your return for missing information or forms, or detect certain errors in some tax credit claims and dependent deductions. Then, it’s your job to [make sure the IRS is correct](#).”

Don’t be fooled by the IRS audit rate

The official audit rate can be misleading because the IRS has other ways to contact many more taxpayers to verify the accuracy of their returns and assess additional taxes, penalties and interest.

“The best move is to prepare a complete and accurate return. But if the IRS has already contacted you about your return, you’ll need to take action. Educate yourself on what to do and [how to handle your audit](#) or notice, and then take the appropriate steps with the IRS [before the deadline passes](#),” said Buttonow.

Taxpayers can get more information about their issue and get expert help at the [H&R Block Tax Audit & Tax Notice Services](#) page, or find a tax pro who can help respond to a notice or audit by calling 1-855-536-6504.

About H&R Block

H&R Block, Inc. (NYSE:HRB) is a global consumer tax services provider. [Tax return preparation](#) services are provided by professional tax preparers in approximately 12,000 company-owned and franchise [retail tax offices](#) worldwide, and through H&R Block [tax software products](#) for the DIY consumer. H&R Block also offers adjacent Tax Plus products and services. In fiscal 2017, H&R Block had annual revenues of over \$3 billion with 23 million tax returns prepared worldwide. For more information, visit the [H&R Block Newsroom](#).

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