

Audits Double This Decade

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As IRS Beefs Up Enforcement, H&R Block Steps In to Assist Taxpayers With Tax Audit Support Services

KANSAS CITY, MO, Jul 06, 2009 (MARKETWIRE via COMTEX) -- The number of audits is likely to continue rising as the IRS beefs up enforcement, nearly doubling its tax law enforcement budget next year. In addition, the IRS is stepping up efforts to close an estimated \$345 billion tax gap. In fact, last year, 1 in 99 individual tax returns were examined by the IRS, up from 1 in every 202 in 2000. More taxpayers also could be expecting the new "soft notice" warning letters as well.

As the number of audits continues to grow, more taxpayers need guidance. H&R Block's Tax Audit Support program helps taxpayers navigate an audit. In fact, more than 3 out of 4 non-H&R Block clients who came to H&R Block (NYSE: HRB) for audit services last year actually ended up owing less than what the original audit notice indicated.

To further complicate matters, the IRS is now issuing "soft notices" -- or warning letters -- to taxpayers seeking self-compliance. The soft notice asks taxpayers to review their tax returns and file amended returns if their original returns were in error. It also advises taxpayers that the IRS will carefully review future returns. Soft notices are sent in situations where the IRS received documentation showing income that appears to be under reported on the tax return and an audit notice was not sent.

"The audit experience is complex. IRS jargon and tax law interpretation can be confusing and often frustrating for the typical taxpayer," said Amy McAnarney, executive director of The Tax Institute at H&R Block.

Taxpayers should keep in mind six important tips if they receive one of many different forms of audit correspondence:

1. Get professional help. Tell your tax professional right away that you received a letter and meet to discuss your tax situation.
2. Research. Review relevant data for the audit. Locate receipts, canceled checks and other pertinent records.
3. Organize. Only send or take copies of requested documents to the IRS, along with copies of any necessary supporting materials.
4. Representation. Taxpayers may represent themselves or engage an Enrolled Agent, a CPA or an attorney to act as their representative.
5. Be succinct. Stick to the facts when answering the auditor's questions. Don't volunteer information that's not asked.
6. Appeal. If the taxpayer disagrees with the auditor's findings, the results of the audit may be appealed.

Impacted taxpayers range from individuals to home-based business owners to large businesses and everyone in between. No one is exempt.

McAnarney cautions taxpayers who want to "go it alone" in dealing with an audit. Once someone receives a notice from the IRS, it's imperative to contact their tax or financial professional as soon as possible. The matter may be as simple as filing an amended return or sending supporting documentation. But in most situations, time is of the essence. Any delays could result in additional penalties and fees for the taxpayer.

H&R Block tax offices are open and can help individuals best prepare for an audit. Tax tips and other important information about audits are also available on www.hrblock.com.

The Tax Institute, a division of H&R Block, is a national leader in providing unbiased research, analysis and interpretation of federal and state tax laws. Staffed by enrolled agents, CPAs and attorneys, The Tax Institute provides industry expertise for matters related to taxes and the professional tax preparation industry.

About H&R Block

H&R Block Inc. (NYSE: HRB) is the world's preeminent tax services provider, having served more than 400 million clients since 1955 and generating annual revenues of \$4.1 billion in fiscal year 2008. H&R Block provides income tax return preparation and related services and products via a nationwide network of approximately 13,000 company-owned and franchised offices and through TaxCut(R) online and software solutions. The company also provides business services through RSM McGladrey. For more information visit our Online Press Center at www.hrblock.com.

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