



# IRS AUDIT LETTERS

A COMPREHENSIVE GUIDE FOR UNDERSTANDING  
YOUR RIGHTS & RESPONSIBILITIES



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*Disclaimer – This is a free guide that should be used for general information purposes only. It is not affiliated with or endorsed by the IRS. Nothing in this guide should be construed as legal advice. Before enrolling in any tax relief program, we strongly recommend seeking the advice of a tax resolution specialist. Visit [www.taxdefensenetwork.com](http://www.taxdefensenetwork.com) to schedule a free consultation or to learn more about your tax relief options.*



## Introduction

Many taxpayers fear receiving that dreaded tax audit letter from the IRS. In reality, your chances of being selected for a tax audit are very slim. Less than one percent of all tax returns are audited annually. Higher-income earners, however, are more likely to be selected for review.

### What Can Trigger a Tax Audit Letter?

There are many things that can trigger an IRS audit letter or notice, including:

- ✚ Unreported income
- ✚ Unusual deductions
- ✚ Comingled business and personal expenses
- ✚ Unreported foreign transactions or accounts
- ✚ Claiming dependents who aren't yours

If your reported income doesn't match your lifestyle, it can also raise a red flag with the IRS. Simple mistakes, such as math errors, can also result in being selected for a tax audit. Many taxpayers, however, are randomly selected for review.

### Use Our Guide as a Resource

In this guide, you'll find many useful resources to help you understand your rights and responsibilities when dealing with an IRS tax audit letter or notice. We'll break down the audit process, explain how to read your notice, and review common audit letters/notices you may receive. We'll also provide guidance on how to draft a response and tips for surviving a tax audit.

Remember, don't automatically assume you'll owe more money if you get a letter from the IRS. Most notices are routine and can be easily resolved.

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# The Tax Audit Process

Once the IRS selects your tax return for an audit, you will receive a notice by mail. If you receive a threatening phone call from someone claiming to be with the IRS, hang up immediately. This is a scam. The IRS will never initiate an audit by phone or email.

## Types of Tax Audits

Your tax audit letter will explain the reasons why you were selected, as well as the type of audit being used to examine your return. There are four different types of tax audits.

**1**

### Line-by-Line Audit

An auditor will inspect every line of your tax return. This is one of the more grueling tax audits and should not be handled on your own. Be sure to seek help from a tax professional!

**2**

### Correspondence Audit

This type of audit is handled through the mail. It is also the most common type of tax audit. You must simply provide the requested documentation (receipts, canceled checks, etc.) by mail.

**3**

### Field Audit

In some cases, the IRS may conduct the audit at your home or place of business. If you have an accountant, it may also be done at their office. Most taxpayers selected for this type of audit have incomes above \$100k.

**4**

### Office Audit

If the IRS needs to ask you additional questions about your return, it may request that you meet with an auditor at a local IRS office. You'll be given a specific date and time for the audit, as well as a list of items you should bring.

Most tax audits are completed within 12 months, but the IRS has up to three years to finish the examination of your tax return. That time could be extended if there is evidence of tax fraud or other extenuating circumstances.

## Potential Tax Audit Outcomes

After the audit is completed, the IRS will provide an examination report (IRS Form 4549). This will include an explanation of any changes made to your return. Depending on the findings, you could be due a refund, owe more taxes, or see no change in your tax balance.

If you agree with the proposed changes, you'll need to sign and return the report. If you disagree, you'll have 30 days to discuss your case and provide additional items for consideration. You can also request an appeal.

If you do not respond to the report within 30 days, the IRS will assume you disapprove and give you an additional 30 days to appeal or the findings will become final.

# Understanding Your Audit Letter or Notice

If you receive an IRS audit letter, don't ignore it. You have limited time to respond or to request an extension. It's important that you review it as soon as possible. It should clearly identify the taxpayer being audited, as well as the auditor's employee ID number and contact information.

In addition, the letter/notice will explain the primary reason for the audit. Depending on the type of notice received, you may also get detailed information on:

- What you need to do next
- What will be discussed/reviewed
- Who may attend (if meeting in person)
- What to expect during the examination
- The required supporting documentation needed
- Any additional information needed

The letter/notice should also outline what will happen if you do not respond within the time allowed.

**If you need more time, you can request a one-time 30-day extension from the IRS.**

## Common IRS Audit Letters & Notices

The "Notice of Audit and Examination Scheduled" is the standard notice most taxpayers receive when they are selected for an IRS tax audit. There are, however, various other notices that may be sent depending on the type of audit being conducted.

### IRS Letter 525 – General 30 Day Letter

You will receive Letter 525 with a computation report of the proposed adjustments to your tax return. If you agree with the changes, simply sign and return the agreement form. If you disagree, the letter also outlines your options and next steps. You will have 30 days to file a protest (appeal) from the date of the letter with the Office of Appeals.

### IRS Letter 531 – Notice of Deficiency

You will receive Letter 531 if adjustments to your tax return result in additional taxes owed. The letter will explain how to dispute the adjustments if you disagree with the changes. You will have 90 days from the notice date to file a petition with the Tax Court if you wish to dispute the findings without submitting payment.

## **IRS Letter 692 – Request for Consideration of Additional Findings**

IRS Letter 692 is similar to Letter 525. It includes a computation report of proposed adjustments to your tax return and outlines your options if you disagree with the changes. If you do agree, you will need to sign and return the agreement form. Unlike Letter 525, however, you will only have 15 days to file a protest and appeal the proposed changes with the Office of Appeals.

## **IRS CP75A**

You will receive CP75A from the IRS if your tax return is being audited and they need documentation to verify the Earned Income Credit (EIC), dependents, and filing status you claimed. The notice will explain what information must be sent and where to send it.

## **IRS CP 2000 Notice**

If the IRS receives income, deduction, or credit information that does not match your return, you will receive a CP 2000 notice in the mail. It includes a computation of the proposed adjustments based on the information the IRS received. If you agree, sign and return the form. If you wish to dispute the findings, you will have 30 days from the date of the notice to appeal. You must submit the appeal request to the office or individual who sent you the letter.

## **IRS Letter 915 – Letter to Transmit Examination Report**

You will receive this letter with a computation report of the proposed changes to your tax return, as well as information on what to do if you disagree with those findings. If you choose to appeal/protest the proposed changes, you will need to send a letter to the office or the individual who sent the letter. Your appeal/protest must be filed within 30 days of the date on your letter.

## **IRS Letter 950**

IRS Letter 950, also known as a 30 Day Letter for Straight Deficiency or Over-Assessment, is basically a status report after the initial stages of an audit. It may include unagreed issues (proposed changes/assessments that resulted in filing a complaint with the IRS Office of Appeals) and/or straight deficiencies (inadequate tax assessments prompting payment of additional taxes), as well as straight over-assessments (inflated accounting of your tax liability). If the IRS discovers an over-assessment, it generally credits the amount to your tax refund. You will have 30 days from the date of the letter to file an appeal/protest if you disagree with any of the findings.

## **IRS Letter 3391 – 30 Day Non-Filer Letter**

You'll receive this letter if the IRS believes you are liable for filing tax returns for the periods identified in the letter. It includes a report giving you a computation of the proposed adjustments to your tax return and explains the adjustments. If you agree with the adjustments, sign and return the agreement form. If you do not agree, you can submit a request for appeal/protest to the office/individual who sent you the letter. The letter or referenced publications explain how to file a protest. You need to file your protest within 30 days from the date of this letter to appeal the proposed adjustments with the Office of Appeals.



## How to Create an Audit Response Letter

If you receive an IRS audit letter, it's important that you respond as soon as possible with either a phone call or an audit response letter. This should be done within 30 days of the date on the letter to avoid potential penalties.

If you choose to write an audit response letter, be sure to include the following:

- Tax ID number
- Full name
- Contact information
- Employee ID
- Business ID (if applicable)
- Name of the IRS officer in charge of your case

The letter should address each issue that the IRS included in your audit letter. You should also include all documentation. For example, if the IRS is questioning income, expenses, or deductions on your tax return, gather relevant receipts and bank statements to help support your case. Finally, be sure to request a date and time to meet to resolve the audit issues.

Although it may be tempting to try and address the audit letter on your own, this could be risky. An audit response letter must be error-free. We strongly recommend seeking the assistance of an experienced tax professional or attorney who can carefully craft your response letter after a thorough review of your case. This not only reduces the risk of potential mistakes, but may also expedite the resolution to your tax audit.

### What Happens If You Don't Respond?

You have 30 days from the date of the IRS audit letter to respond. If you ignore the letter and do not respond, the IRS will make the proposed changes to your return. The IRS will then assess any taxes and penalties due and send a Notice of Deficiency (IRS Letter 531). You will have 90 days to file an appeal with the U.S. Tax Court if you wish to dispute the findings. If you don't file an appeal, the audit will conclude and the IRS will start the collection process.

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## Know Your Audit Rights

Dealing with a tax audit can be overwhelming and scary. Thankfully, there are many rules in place to ensure your taxpayer rights are protected throughout the process. One of the most important audit rights is your ability to have an authorized representative assist you. This is also known as tax audit defense. Through Power of Attorney (POA), a representative has the legal authority to assist with your paperwork, attend meetings, and discuss your case with the IRS. They can also negotiate to reduce your proposed tax debt, if needed.

At Tax Defense Network, we will work on your behalf to obtain the best resolution possible for your case and ensure your taxpayer rights are protected.

### Your Taxpayer Audit Rights

As a taxpayer, you have certain rights during the tax audit process, including:

- ✚ **The right to professional and courteous treatment by IRS employees.**
- ✚ **The right to privacy and confidentiality regarding tax matters.**
- ✚ **The right to know why the IRS is asking for information, how they will use it, and what will happen if you do not provide the information.**
- ✚ **The right to representation, by oneself or an authorized representative.**
- ✚ **The right to appeal disagreements within the IRS or before a court.**

If you think you are being treated unfairly during the audit, request to speak with a manager or demand a recess so you can consult with a tax professional.

**An experienced audit representative can help protect your taxpayer rights throughout the process.**

### Tax Audit Statute of Limitations

The statute of limitations for assessing taxes is generally three years after the return was due or filed, whichever is later. In certain cases, however, the IRS may request an extension if the audit is unresolved. The extension also gives you more time to provide documentation, request an appeal, or claim a refund, if one is due.

If a statute of limitations extension is requested, you can refuse it. The auditor, however, will be forced to decide based on the information available.

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## Can't Pay? You Have Options.

The majority of tax audits result in the taxpayer owing more money to the IRS. If this happens to you, and you can't pay in full, don't panic. There are several options available to help you satisfy your tax debt.

### Tax Relief Options

It's important to address your tax debt as soon as possible to avoid aggressive collection actions, such as wage garnishment, liens, and tax levies. If you owe the IRS, you may be eligible for one or more of these tax relief options.

**1**

#### Payment Extension

If you need additional time to pay your tax bill, you can request a short-term extension. This will give you 120 days to pay your balance in full.

**2**

#### Apply for a Payment Plan

You can go to the IRS website and apply for a monthly installment agreement. Monthly payments can be set up as automatic payments from a debit account.

**3**

#### Submit an Offer in Compromise

An offer in compromise is an agreement to settle the tax debt for less than you owe. You'll need to meet certain requirements, such as proving financial hardship, to be eligible.

If you filed under "married filing jointly" status and the audit resulted in additional taxes owed, you may be eligible for relief. Innocent Spouse Relief is reviewed and approved on a case-by-case basis. The IRS considers several factors, including your relationship with your spouse, your mental capabilities, and your level of involvement with household financials. You can apply for relief by filing IRS Form 8857. Do not embellish or falsify any information on the application. It could result in penalties for perjury.

Although requesting an extension on your own is fairly straightforward, the other types of tax relief available can be a bit tricky to navigate without the help of an experienced tax professional. We strongly suggest speaking with a tax expert who can review your specific situation and determine which options may be best for you.

## Tips for Surviving an IRS Audit

Each year, thousands of Americans are selected for tax audits. If you find yourself in this situation, we strongly recommend working with a tax resolution specialist who can help you navigate the system. If you choose to go it alone, however, there are some things you can do that may help you reach a more favorable outcome.

- ✚ **Have realistic expectations.** Most taxpayers will find that they owe some additional taxes once an audit is complete. Do not go into your audit expecting a refund or a huge reduction in your tax balance.
- ✚ **Don't host the audit at your home or place of business.** If you have to meet with an auditor in person, request to hold the audit at an IRS office, your CPA's office, or the office of your authorized representative.
- ✚ **Request a delay.** Postponing the audit can give you additional time to gather necessary documents and seek professional assistance, if needed.
- ✚ **Don't offer additional information.** Never give the auditor anything more than what is requested. Keep your verbal responses short and to the point. Don't bring any documents that are unrelated to the tax year in question.
- ✚ **Reconstruct missing documentation.** If you have missing receipts or documents, reconstruct them to the best of your ability. Make sure they are organized and easy to read.
- ✚ **Know your rights!** Review our Taxpayer Audit Rights section to ensure you are treated fairly throughout the process.
- ✚ **Appeal the decision, if needed.** If you disagree with the examination report, ask to speak with a manager to review the findings. You may also appeal the decision within the IRS or go to tax court.
- ✚ **Consult a tax professional.** If you need help at any point during the audit process, or the IRS mentions tax fraud, seek the assistance of a licensed tax professional ASAP!

**Don't give the auditor any information or documentation that wasn't requested.**

If you need additional information about the tax audit process or other helpful tax tips, be sure to visit [TaxDefenseNetwork.com/tax-audit-help](https://www.TaxDefenseNetwork.com/tax-audit-help).

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## Overwhelmed? We Can Help.

Our IRS Audit Letter guide is a great resource, but it cannot replace the knowledge of an experienced tax professional. We encourage you to seek the advice of a tax attorney or licensed tax professional before taking on the IRS alone.

At Tax Defense Network, our team of tax specialists is committed to helping you navigate the IRS audit process and reach a favorable outcome.

### Tax Defense Network Audit Services

We offer a wide array of affordable tax audit services for our clients, including:

- **Free initial consultation**
- **IRS audit letter review**
- **Audit response letter assistance**
- **Tax audit representation**
- **Tax audit appeal help**
- **Tax debt negotiation**
- **Tax relief assistance**

If you received an IRS audit letter, contact us as soon as possible to ensure your rights are protected. You have a limited window of time to address the issues at hand. Our team has the expertise and experience needed to get you the best results.

Visit [TaxDefenseNetwork.com](https://www.TaxDefenseNetwork.com) to schedule your free consultation today!

