

New Audit Guide Related to Business Consultants

The IRS recently published a new audit guide dealing with specific tax issues that commonly apply to business consultants. The guide is intended as a training manual for IRS examiners. However, it also serves as fair warning to taxpayers regarding several "hot buttons" the IRS will almost certainly push if you are audited.

As you probably have heard, the IRS is now committed to increasing the percentage of taxpayers that will be audited after a long period of declining odds of being selected. As part of this program, you can expect increased emphasis on auditing small business taxpayers, including consultants like yourself.

In this context, the new audit guide provides some useful guidance about how to avoid problems if you are, in fact, chosen for an audit. The guide lists the following as potential audit "hot buttons" for consultants.

- Travel Expenses
- Meal and Entertainment Expenses
- Reimbursed Expenses
- Lack of Profit Motive
- Personal Service Corporations
- Independent Contractor Versus Employee Status

We recommend taking this opportunity to perform a self-audit of your business activities to identify and shore up weak areas that could cause trouble if you are subjected to an IRS audit. We would be pleased to assist you in this project.

If you are interested in the self-audit concept or have any questions about the new IRS audit guide and what it means for you and your business, please contact us.