



Tax Audit 101

The annual tax return deadline is approaching quickly on **April 15th**. Have you filed your taxes yet? Are you confident in their accuracy? While most tax returns filed are correct, some are flagged for annual audits.

However, you don't need to worry about that. Audits may seem daunting initially, but they're not as scary as they sound. In this month's newsletter, we'll share some information about tax audits and provide guidance on what to do if your return is audited.

Texas Legal.

Understanding Tax Audits

Less than **1%** of households are selected for a tax audit every year. However, that's still around **1.2 million** U.S. households.

Some reasons you can get audited are;

- Cash based businesses**
- Home office deductions**
- Financial accounts outside the U.S.**
- Digital asset transactions**

If you get audited, there's no need to fear! Just remember:

- You have rights
- It's not as intimidating as it seems
- & you can retain an attorney to represent you through **Texas Legal's Online Attorney Finder!**

Sources: [crsreports.congress.gov](https://www.crsreports.congress.gov)

What is a Tax Audit?

According to the IRS, a tax audit is a **review/examination of an organization's or individual's accounts and financial information** to ensure information is reported correctly according to the tax laws and to verify that the reported amount of tax is correct.

Why Would I Be Chosen for an Audit?

Being chosen for an audit doesn't necessarily mean there's an issue. The IRS has a few ways of selecting which returns get audited:

Sometimes, it's **purely random** and done by a computer. The computer's formula compares your tax return to "norms," which are **averages on similar returns**. These "norms" come from audits of a random selection of returns in a National Research Program. This program helps the IRS update its selection information for future audits.

On the other hand, the IRS might check your tax return to **see if it's connected to issues or transactions with other returns**, such as business partners or investors whose tax returns are already being reviewed.

After one of these steps, a skilled auditor checks your return after being flagged. They might approve it, or if they find something suspicious, they will highlight these items and send the return to a review team.

Why was I chosen for an audit?

Being picked for an audit doesn't necessarily mean there's an issue. The IRS has several ways of choosing:



Random selection

- Purely random and done by a computer
- Analyzes returns for a "norm"
- Helps IRS have maintain updated information



Related examination

- Might flag your return if it's connected to similar returns
- The IRS does this based on other returns they're already reviewing



Skilled auditor review

- Approval of the return may be granted here
- Otherwise, they highlight items
- Forward to a team for further review

For more information about tax audits and what to do if you are audited, [check out our latest blog post!](#)

How Texas Legal Can Help During a Tax Audit



As a member of Texas Legal, you can access numerous legal services provided by our in-network attorneys, including tax audit representation. In addition to dependable attorney assistance, you also receive [Balance Pro's financial](#) fitness services. These services will educate you on financial matters and prepare you for future tax filings.

[Contact us](#) during business hours to start the process!

To find an attorney and learn more about your specific plan benefits, please visit [TexasLegal.org](https://www.texaslegal.org).

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[Read Now](#)

[Why a Big Tax Refund is Not Always Better](#)

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[Texaslegal.org](https://texaslegal.org)

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*The tax audit benefit covers up to 4 hours of the participating attorney's billable time for tax audits. Note: Texas Legal will only cover tax audit legal services for personal tax audits if the initial written notice is received after the plan's effective date of coverage. One tax audit per plan year. For more details regarding specific plans and benefits, please contact Texas Legal at [1-800-252-9346](tel:1-800-252-9346) or members@texaslegal.org.



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