

# Freelancers Forum - 2022

## How to Prepare for a Tax Audit

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# How to Prepare for a Tax Audit?

An IRS 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 the reported amount of tax is correct.

# How to Prepare for a Tax Audit?

- ❖ Your rights - [Publication 1, Your Rights as a Taxpayer](#)
- ❖ Notification
- ❖ How will audit be conducted?
- ❖ What do you need to provide?
- ❖ Conclusion of Audit

# How to Prepare for a Tax Audit?

- ❖ A separate Biz and credit card account
- ❖ Use a Bookkeeping software
- ❖ Update your records regularly
- ❖ Consider using Professional Help

# How to Prepare for a Tax Audit

## Deductions:

- ❖ All the Deductions must be ordinary and necessary.
- ❖ Each Deduction should include the three “Ps” as Support.
  1. A Purchase document - invoice, receipt
  2. A Payment document - bank stmt, cancelled check, credit card stmt
  3. Biz Purpose - Biz purpose of this purchase

# References

- ❖ IRS Pub 535 - **Publication 535 (2021), Business Expenses | Internal Revenue Service (irs.gov)**
- ❖ IRS Pub334 - **Tax Guide for Small Business**
- ❖ The CPA Journal – **Starting a Business from Home - The CPA Journal**
- ❖ The CPA Journal - **Keys to Successful Remote Audits of Not-for-Profit Organizations**
- ❖ CBS News - **Taxes 2022: How to avoid an IRS audit of your taxes - CBS News**