

6 Ways to *Bullet-Proof* Your Tax Returns

The term “**Bullet-Proof**” does not mean that you will never be audited, but it does mean that if you get a ‘love note’ from your Uncle Sam and your Aunt IRiS suggesting you get together for a little chat, you won’t need to worry about the outcome. Here are six steps you can take to ensure that you are ready for the “feared event.”

#1: Buy an easy-to-use daily calendar or scheduling diary and use it in the normal way, except I suggest two modifications:

1. Write every entry in *pencil*, not pen, but not for the reason you may think...
2. At the end of each day, take one minute to *erase* any ‘scheduled’ activities that didn’t happen, and *write-in* any activities you did, but were not previously scheduled. At the end of the year, *most* people will have a calendar that shows what they had *planned* to do, but YOU will have a record of the business related activities that you actually *did*.

#2: For deductible business trips to attend Seminars and Conferences, be able to prove that you actually went to the meeting, not just flew into the city.

This is a trick the IRS could use to disallow deductions for meeting attendance.

Easiest way to prove you attended the meetings? Take meeting notes, and put a copy of some of your notes in your tax file along with your trip receipts.

#3: Keep 90 consecutive days worth of vehicle-use records, using the simple form Printed in Ch. 7 of *It’s How Much You KEEP, That Counts! Not how much you Make*

Vehicle-use is the most-audited type of deduction for a two-part reason.

1. It’s a high-ticket item, so if they ‘get you,’ they add thousands of dollars of *your money* to the treasury, and the auditor is a hero in the IRS.
2. Many taxpayers are ‘easy to get’ because they don’t keep a 90-day log. This isn’t to say that they didn’t deserve the deductions, just that they didn’t keep the required paperwork. And rules are: “No Documentation, No Deduction.”

Bullet-Proofing this deduction is very easy. Keep accurate records of every trip for a 90-day period. It takes about 30 seconds to fill in the four required items of a Vehicle-Use Log. (Be sure to read Chapter 7 of “It’s How Much You KEEP, That Counts! Not how much you Make” for more information.)

#4: Keep “good books.”

The more “professional” your records look to an auditor, the more likely he or she will conclude that you are running your business in a businesslike manner, and that you pay attention to details. Those two perceptions will help you *greatly* in the event of an audit.

The easiest way to do this is to use the *Sixty Second Tax Savings Organizer* software and the *Tax MiniMiSer* recordkeeping system. Both are available on the Internet at www.HomeBusinessTaxSavings.com. Regular and consistent use of these systems will help create the best perceptions of your record keeping. Using one or the other would most likely protect you, but using them *both* as “companion systems” is guaranteed to maximize your business deductions.

#5: Have your Tax Return completed and signed by a professional tax preparer.

If your return is reviewed internally by the IRS, and of it’s a ‘toss up’ whether or not to audit you, one factor that may help with that decision is:

a. If the taxpayer’s signature, *alone*, appears at the bottom of the return, the thinking will be, “This person probably prepared only one Tax Return this year, so there’s probably an error somewhere in here.”

b. If a professional tax preparer’s name and number appear next to the taxpayer’s signature at the bottom of the return, the thinking will be, “This professional probably prepared hundreds of Tax Returns this year, so chances are pretty this one is accurate.”

#6: Attach an IRS Form 8275 “Disclosure Statement” to your Tax Return.

The most powerful Bullet-Proofing tactic has been saved for last! Do this only if you are claiming a legitimate deduction which might look ‘suspicious’ to someone not familiar with your situation. If a deduction on your Schedule C is outside the normal range for your type of business, or if it deviates substantially from your own prior returns (a computer program will check this), your Tax Return may be reviewed by an IRS employee, whose job is to determine whether your particular return deserves to be audited.

If you have only one deduction ‘outside the norm,’ and you satisfactorily explain that deduction on a Form 8275, you probably won’t receive that dreaded love note from the IRS suggesting you get together for a chat – the Audit.

If you want to add additional “believability” to your statement, conclude with the words: “I declare, under penalty of perjury, that the above statements are complete and accurate to the best of my knowledge,” and then have your statement Notarized.

Note: If you attach a Disclosure Statement, you’ll have to file a ‘paper return,’ rather than filing electronically.

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“It’s How Much You KEEP, That Counts! Not how much you Make”

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