

IRS dispute resolution case study



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The Internal Revenue Service and State Taxing Authorities are becoming more aggressive with their income tax and sales tax audit positions. In addition to tax assessments, these audits may result in interest and penalty assessments.

The Internal Revenue Code is becoming more complex each year and with the complexity, the IRS is involving subject matter specialists during the audit process. The IRS has identified numerous issues that have been classified as Tier I, Tier II, or Tier III. Specialist involvement may include review and approval of tax reporting positions by the IRS National Office.

It is becoming more important for taxpayers to involve their own subject matter specialists during the entire audit process.

During a recent IRS audit, we were able to convince the IRS the majority of their methodologies and proposed audit adjustments were incorrect. See following summary of proposed adjustments and final adjustment, adjusted for display purposes. The final accepted adjustments were timing differences shifting deductions from an earlier tax year to a later tax year.

	Taxable Income Adjustment	Estimated Income Tax Assessment	Estimated Interest Assessment	Proposal Status
Proposed Adjustment #1	\$500,000	\$175,000	\$40,000	Rejected
Proposed Adjustment #2	\$200,000	\$70,000	\$17,000	Rejected
Proposed Adjustment #3	\$135,000	\$47,000	\$11,000	Rejected
Final Adjustment #4	\$110,000	\$38,500	\$4,500	Accepted

Please note, the final settlement with the IRS included additional interest abatement of 50 percent.

Baker Tilly is here to help — call on our tax specialists to assist you with all of your tax planning needs. For additional information, please contact Craig Daniel at 414 777 5318.

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