

This Month:

- Under Audit?
- Prepare for Summer Storms!
- Summertime Child Care Expenses May Qualify for a Tax Credit

Under Audit?

While IRS audits are actually rare, it can be overwhelming when it happens to you. Here are some tips for surviving an IRS audit.



- **Do not ignore the IRS correspondence.** IRS audit letters will state what's being questioned, how to respond and when to respond. It's important you follow the instructions to provide the information in a timely manner. Ignoring the letter will only result in additional penalties and the IRS will continue to pursue, even if they don't hear back from you.
- **Lying to an IRS auditor is a criminal offense!** Being honest and truthful about your tax reporting is the only avenue. If there was a misstatement on the return, now is the time to fess up!
- **Don't be bullied.** If you disagree with the auditor, you can challenge the decision and dispute the ruling in the IRS Court of Appeals. You also have the right to ask to speak to the auditors superior if you're concerned about the audit engagement.
- **Stay current on your tax filings.** Failure to file returns isn't going to win you brownie points. Be sure to file returns, even if you can't pay. Also, if you're on an installment agreement, be sure to make your payments timely.
- **Be prepared for the audit.** The IRS audit letter will indicate specific areas under audit. You should be prepared to support these items and answer questions related to these accounts. Do your homework and be ready. If you need extra time to gather your documents, ask for an extension.

Lastly, remember to take a deep breath and relax... most audits are quite simple and merely require you to supply documentation. If you wish to discuss an audit matter, give us a call.

Prepare for Summer Storms!

Power outages can wreak havoc on electronic files. Safeguard your personal and business assets by taking the following steps:

Back up your records electronically. Keep a set of backup records stored away from the original set. Remember to scan paper documents into an electronic format!

Document valuables. Photograph or video the contents of your home or business, especially items of higher value, to prove the market value of items for insurance and casualty loss claims.

Update emergency plans. Emergency plans should be reviewed annually and distributed to all employees. Don't forget the new hires!

Maintain current contact information for employees and customers. Ensure that you can communicate with employees and clients in the event of business disruption. Email is your best method when the phones are down!

Know how to get help. Federal and State agencies can offer assistance, such as FEMA, the Small Business Association, and the Department of Homeland Security. IRS publication 2194, Disaster Resource Guide for Individuals & Businesses, contains information and form needed to claim a casualty loss.

Summertime Child Care Expenses May Qualify for a Tax Credit

The child and dependent care credit is available for expenses incurred during the lazy hazy days of summer and throughout the rest of the year. Here are seven facts the IRS wants you to know about a tax credit available for child care expenses.

1. Applicable for care of dependents under the age of 13 (some exceptions apply)
2. The expenses must be paid so that both you and your spouse (if married) can work or look for work.
3. Day camp costs may count as an expense towards the child and dependent care credit.
4. Expenses for overnight camps don't qualify.
5. If your childcare provider is a sitter at your home or a daycare facility outside the home, you'll get some tax benefit if you qualify for the credit.
6. The actual credit can be up to 35 percent of your qualifying expenses, depending upon your income.
7. When figuring the credit, you may use up to \$3,000 of the unreimbursed expenses paid in a year for one qualifying individual or \$6,000 for two or more qualifying individuals.



For more information on Child and Dependent Care Expenses, contact your Padgett Office today.

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