

IRS AUDIT OF TAX RETURNS

Tax returns are selected for audit based on the following criteria:

(1) High DIF Score

An IRS numeric score (“DIF Score”) is assigned to taxpayers (by a computer program called the Discriminant Function System). A high DIF Score portends a tax audit based on:

- (a) Total Positive Income (TPI)
- (b) Total Gross Receipts (TGR)

(2) Third Party Information Reporting

Third party information, (e.g., Forms 1099, W-2), does not match tax return information.

(3) Third Party Sources

Includes: media, public records or informants. Tax returns audited based on third party source information on inaccurate tax filings, non-compliance with tax laws.