



Ansar Connection

A biweekly e-newsletter of Majlis Ansarullah, USA

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Most Common Reasons the IRS Will Audit Your Tax Return

There are various factors which will trigger an IRS audit but following factors can increase your chances of being audited and increase of unwanted attention from the IRS.

Failing to Report All Taxable Income: The IRS gets copies of all of the 1099s, and W-2s you receive, so be sure you report all required income on your return. IRS computers are pretty good at matching the numbers on the forms with the income shown on your return. A mismatch sends up a red flag.

Taking Higher-than-Average Deductions: If the deductions on your return are disproportionately large compared with your income, the IRS may pull your return for review. But if you have the proper documentation for your deduction, don't be afraid to claim it. Keep all documentations if you are taking miscellaneous deductions on Sch-A.

Running a Small Business: Schedule C is a treasure trove of tax deductions for self-employed people. But it's also a gold mine for IRS agents, who know from experience that self-employed people sometimes claim excessive deductions and don't report all of their income. The IRS looks at both higher-grossing sole proprietorships and smaller ones. Other small businesses also face extra audit heat, i.e. S-corporations, partnerships and limited liability companies.

Taking Large Charitable Deductions: If your charitable deductions are disproportionately large compared with your income, it raises a red flag. If you fail to file Form 8283 for noncash donations over \$500, you become an even bigger audit target. Be sure to keep all of your supporting documents, including receipts for cash and property contributions made during the year.

Deducting Business Meals, Travel and Entertainment: A large write-off will set off alarm bells, especially if the amount seems too high for the business or profession. Agents are on the lookout for personal meals or claims that don't satisfy the strict substantiation rules. To qualify for meal or entertainment deductions, you must keep detailed records that document for each expense the amount, place, people attending, business purpose, and nature of the discussion or meeting.

Failing to Report a Foreign Bank Account: Failure to report a foreign bank account can lead to severe penalties. Make sure that if you have any such accounts, you properly report them. This means electronically filing [FinCEN Form 114](#) by April 15 to report foreign accounts that combined total more than \$10,000 at any time during the previous year. And taxpayers with a lot more financial assets abroad may also have to attach [IRS Form 8938](#) to their timely filed tax returns.

Claiming 100% Business Use of a Vehicle: When you depreciate a car, you have to list on Form 4562 the percentage of its use during the year was for business. Claiming 100% business use of an automobile is red meat for IRS agents. They know that it's rare

What's new on the website

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for someone to actually use a vehicle 100% of the time for business, especially if no other vehicle is available for personal use. The IRS also targets heavy SUVs and large trucks used for business, especially those bought late in the year. That's because these vehicles are eligible for favorable depreciation and expensing write-offs. Be sure you keep detailed mileage logs and precise calendar entries for the purpose of every road trip. Sloppy record keeping makes it easy for a revenue agent to disallow your deduction. As a reminder, if you use the IRS's standard mileage rate, you can't also claim actual expenses for maintenance, insurance and the like. The IRS has seen such devious tricks and is on the lookout for more.

Taking an Early Payout from an IRA or 401(k) Account: The IRS wants to be sure that owners of traditional IRAs and participants in 401(k)s and other workplace retirement plans are properly reporting and paying tax on distributions. Special attention is being given to payouts before age 59 years, which, unless an exception applies, are subject to a 10% penalty on top of the regular income tax.

Claiming the Home Office Deduction: The IRS is drawn to returns that claim home office write-offs because it has historically found success knocking down the deduction. Your audit risk increases if the deduction is taken on a return that reports a Schedule C loss and/or shows income from wages. If you qualify for these savings, you can deduct a percentage of your rent, real estate taxes, utilities, phone bills, insurance and other costs that are properly allocated to the home office. That's a great deal. Alternatively, you have a simplified option for claiming this deduction: The write-off can be based on a standard rate of \$5 per square foot of space used for business, with a maximum deduction of \$1,500. To take advantage of this tax benefit, you must use the space exclusively and regularly as your principal place of business.

Engaging in Currency Transactions: The IRS gets many reports of cash transactions in excess of \$10,000 involving banks, car dealers and other businesses, plus suspicious-activity reports from banks and disclosures of foreign accounts. So if you make large cash purchases or deposits, be prepared for IRS scrutiny. Also, be aware that banks and other institutions file reports on suspicious activities that appear to avoid the currency transaction rules (such as a person depositing \$9,500 in cash one day and an additional \$9,500 in cash two days later).

Source: [Yahoo Finance](https://www.yahoo.com/finance)

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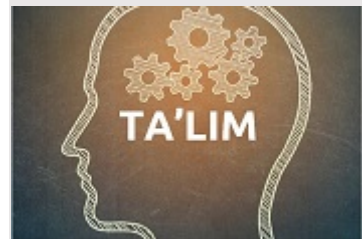
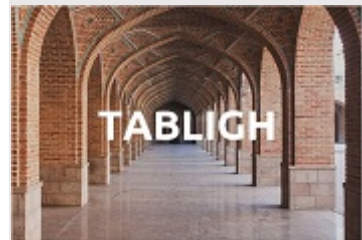
The Fortress of Prosperity

Nasir Bukhari, Za'im Detroit Majlis

صدق سے میری طرف آؤ اسی میں خیر ہے ہیں درندے ہر طرف میں عافیت کا ہوں حصار

Translation: For salvation, proceed towards me with truth. There are monsters galore, I am the fortress of prosperity [The Promised Messiah (alaihissalam)]

The February Ansar meeting in Detroit started off at its appointed time. As a Za'im I usually brief the presenters ahead of time and today was no different except that I had requested our Muntazim Tarbiyat to linger on the topic of Wasiyyat for a few minutes. He expanded on the topic by a narration of his own experience when he had signed up for the blessed scheme of Wasiyyat. Later in the discussion I had the blessed opportunity to convey my experience followed by our local Jama'at President adding



words of encouragement. Before we could move on to the next agenda item all of sudden three hands went up and expressed interest in signing up for Wasiyyat.

We were all in awe of the Almighty for his blessings and grace. Needless to mention that the members were given the relevant documentation immediately and are currently being followed up. This has now become a regular agenda item in our meetings with hopes and prayers that the momentum will continue to grow. It is indeed a fortress of prosperity that the Promised Messiah (may peace be on him) has provided for us which undeniably will lead us to salvation. The message is indeed out there, all we have to do is to latch on to it.

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