

IRS Update: Ask an IRS Agent

Speakers

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Each Audit is Unique

- Important: Not all audits are the same though there may be some similarities. This would include scope and purpose.
- How are we selected for audit?
- If we receive an audit, does it mean we have done something wrong?

What is in the Initial Audit Package

- Appointment letter
- Taxpayer's rights and Privacy Notice
- Information Document Requests.
 - These will be requests for certain information concerning the audit. Examples include requests for information about payroll, fringe benefits, retirement plans, and accounts payable information.

Government Entity Audit Involves

- Generally the audit involves:
 - Payroll (including Forms W-2 , 941, and 1042 if you have foreign workers)
 - Forms 1099 MISC
 - Forms 1099 NEC (beginning in 2020, filed in 2021)
 - Forms 945 (if you have backup withholding)

What an Audit Examines

- Payroll issues such as
 - Fringe Benefits (both taxable and non taxable),
 - Retirement Contributions
 - Deferred Compensation (checking for 402(g) limits)
 - Reconciliation of 941 to W3/W2 as well as Gross to Net on taxable wages.
- Accounts payable issues such as accountable plans, fringe benefits paid through accounts payable, worker classification, early retirement incentives.

What Will We Be Expected to Provide?

- Copy of your Section 218 Agreement (if applicable)
- Payroll reconciliation (examples provided with Information Document Requests)
- Accounts payable file (and checking accounts if applicable)
- Information on fringe benefits
- Reason someone went over 402(g) limits for deferred compensation
- Early Retirement Incentives documents (if applicable)
- Supporting documentation for accountable plans testing
- Forms W-9 on selected vendors

Resources

- FSL/ET Fringe Benefit Guide
 - Publication 5137
- IRS Publication 15-B: Employer's Tax Guide to Fringe Benefits
- Federal-State Reference Guide
 - Publication 963
- On-Line Taxpayer Identification Number (TIN) Matching Program
 - Publication 2108A

These can all be found searching www.irs.gov

Resources

<u>Publication</u>	<u>Title</u>
15	(Circular E) Employer's Tax Guide
15-A	Employer's Supplemental Tax Guide
15-B	Employers Tax Guide to Fringe Benefits
556	Examination of Returns, Appeal Rights, and Claims for Refund
963	Federal-State Reference Guide
966	EFTPS – A Guide to Getting Started
1281	Backup Withholding for Missing and Incorrect Name/TIN(S)
1335	Underreporter Backup Withholding - Questions and Answers
1779	Independent Contractor or Employee
1976	Do You Qualify for Relief under Section 530

Resources – continued

Publication

Title

2108-A	e-Services On-Line TIN Matching Program
4341	FAQ about the Reclassification of Workers as Employees
4946-A	FSLG Examination Flow Chart - State and Local
5137	Fringe Benefit Guide
5138	Quick Reference Guide for Public Employers
5146	Employment Tax Returns: Examinations and Appeal Rights

Notice

Title

Notice 931	Deposit Requirements for Employment Taxes
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Q&A Session

- Questions sent prior to the conference

Q&A Session

- Live Audience Questions

Thank you!

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