WOMBLE CARLYLE
OUR LAWYERS MEAN BUSINESS

Creative Business Solutions

Unwinding Federal Tax Controversies

Helping companies handle complex IRS audit issues.

Problem

The Internal Revenue Service has announced that it intends to increase its audit penetration of companies that are subject to the jurisdiction of its LMSB (large and medium-size business) division. These companies typically have revenues of more than $10 million annually. Of course, Fortune 1000 and other large companies are usually audited continuously, generally in two-year audit cycles. In addition, the IRS is in the throes of its "currency" initiative, in which its stated goal is to audit tax returns virtually as soon as they are filed. All of this IRS activity raises the specter not only of potential liability for income tax deficiencies but also of interference with a company's business operations. The IRS Examination Division has the authority, and sometimes the inclination, to issue numerous requests for detailed information with relatively short deadlines, diverting a company's resources away from profit-making endeavors. Under Sarbanes-Oxley, a company facing an audit generally should not be represented by the accounting firm that prepared its tax returns.

Action

Obtain experienced legal counsel and advice as soon as the IRS informs you of an audit so that you can survive the process with little or no new tax liability. Effective counsel can also help you identify "affirmative issues" to offset possible tax deficiencies or even produce a refund at the end of the audit process. Legal counsel can work behind the scenes, if necessary, so that its participation does not raise a red flag for the IRS.

Results

Involvement at this stage can significantly ease the process of going through an IRS audit. An experienced tax attorney can help you narrow the issues, explain to the IRS the way in which your company and your industry operate, and ultimately help resolve the situation quickly and with a minimum of tax liability. The result is that the company can focus on its strategic goals rather than on its tax issues.

Contact

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