

## FOR IMMEDIATE RELEASE

### Shwiff, Levy & Polo Advises Small Business How to Help Avoid IRS Audit

#### Five Tips for Small Business Owners

**SAN FRANCISCO, CA – November 10, 2009** – Shwiff, Levy & Polo, LLP ([www.slpconsults.com](http://www.slpconsults.com)), a San Francisco boutique CPA firm, today announced its top five tips for small business owners to help avoid an IRS audit. Due to the difficult current economy, small-business owners – particularly those that hire tax preparers providing tax secretarial services – are increasingly vulnerable to an audit by the IRS or State Tax Revenue Agency.

Small business owners often do not realize their tax preparers, unlicensed and licensed, may be putting them at risk. Both may give no advice – or even worse, incorrect advice – about complex tax laws, and only input numbers the owner provides into a tax preparation software program. The small business owner in effect serves as their own tax advisor, while still paying the tax preparer for tax counsel.

The result is that the small business owner either misses deductions and pays too much in taxes, or misrepresents their deductions and pays too little in taxes. Neither benefits the owner, and the latter puts them at risk for an audit.

Unlicensed tax preparers are not required to hold a high school diploma or have training in tax preparation. In fact, The Treasury Inspector General for Tax Administration found that only 39 percent of the returns prepared by this group were correct, and is currently considering regulation.

Licensed tax preparers who prepare tax returns at the “Tax Secretarial Service” level simply enter the numbers of expenses and deductions the owner has provided, and often do not ask questions, check for reasonableness, request substantiation for large deductions, verify information, or offer tax planning or advice.

Shwiff, Levy & Polo advises small business owners to help defend against an audit by using the following five tips:

1. The client should use accounting software to keep books on a daily basis and input all financial transactions into this software. The client should use one database for their business and one for personal financial data to ensure that 100 percent of financial transactions are recorded.
2. Verify that the tax preparer is licensed, and question them to determine if they are knowledgeable about the exceptions for small business enterprises.

The owner should require the tax preparer to:

3. Submit a list of questions to get the additional missing information and prove that review and analysis is being conducted.
4. Substantiate larger deductions and provide all documents received from banks and brokerages in order to create a detailed paper file (to "paper the file") in case of an audit.
5. Provide a list of the adjusting journal entries made by the tax preparer/accountant to the financial database. After the tax return is prepared, the owner or their bookkeeper must add the adjusting journal entries to their database.

Preparing for a tax audit in advance allows the small business owner to take the maximum number of tax deductions allowed yet retain the proof needed for tax authorities if the tax return is ever audited. Most of all, it also gives the small business owner "peace of mind" - and the smallest tax liability possible.

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