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The IRS audit is a process that inspects your tax returns and checks it for accuracy or any other details for that matter. However, if your tax return has been selected for review it does not mean that your return is faulty or that it will be entitled to any kind of penalty or liability. Again, statistical studies have also shown that almost 75% of the returns that are picked for audit internal revenue end up paying more taxes. If there is something wrong found with your return the IRS will put in further penalties and interests that you will be responsible to pay. There may be a wide array of penalties that you need to pay if your return is found to be faulty. You may be wondering how to avoid an IRS audit at this point. The smartest way to do that would be to file the right kind of returns and not provide any faulty information or even one that arouses the IRSâ€™ suspicion.

What is the penalty that you may incur?

For every inaccurate return a taxpayer could face a penalty of 20% on the total amount that you owe. Again, some others could face up to 40% penalty. Let us take a look at the penalties that you could face when a tax auditor finds your return faulty:

1. Negligence or disregard of regulations: You must conform to the Federal tax code and if you do not then you may be charged with this.

2. Disregard for IRS rules and regulations: This penalty will be incurred when your returns are inconsistent with the regulations laid down by the IRS.

3. Understanding IRS taxes: If the tax auditor finds you significantly understated your income by more than 10% or by $5000.

4. Overstating your pension liabilities: If the IRS tax audit system finds that your business has overstated your liabilities by 200% or more than that then your business may suffer some penalties by the IRS.

5. Significantly misstating the value of property: Both overvaluing and undervaluing will attract heavy penalties. You could check out the exact amount of penalty that you might have to pay.

6. Understating gift or estate: Tax payers who may have understated any property that was a gift or was claimed on estate by 65% or less than the market value it may be subject to penalty.

7. Reportable transactions understatements: You could face 20% penalty if you have not significantly minimized your tax liabilities from a listed transaction that is disclosed. Again, if the liability is not disclosed, you may face up to 30% penalty charges.

What is the IRS civil fraud penalty?

This is a common tax audit penalty which could go up to 75% of your unpaid federal taxes if your returns are found fraudulent. It is said that if there is a tax underpayment that is not related to fraud, may be facing an accuracy related charge.

What is a failing to file penalty?

This may be a rare penalty but if you did file late in an attempt to avoid paying taxes, it could be subject to penalty. This may be 5% of your taxes that you pay each month.

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The author Jacob Smith has expertise in writing about the a IRS audit and a tax auditor. He has written several articles on the a audit internal revenue and you could keep an eye on submission websites for more of his articles.

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