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Abstract: Business owners who have been audited by the IRS are likely aware that the process may be stressful. It might help to understand what IRS auditors know about the business's industry. IRS examiners generally do research on a specific industry and on issues on a tax return in preparation for an audit. While they have a variety of resources, one tool they use to research specific industries is an Audit Technique Guide.

What do IRS auditors know about your business industry?

Has your business been audited by the IRS? It may be stressful, especially if you don't know what to expect. It might help to know what information IRS auditors have about your industry. To prepare for an audit, IRS examiners generally research a specific industry, plus issues on a tax return. One tool they often use is the Audit Technique Guide (ATG).

A little-known secret

It's not widely known, but the public can also access these same guides on the IRS website. In other words, your business can use the guides to gain insight into what the IRS is looking for in terms of compliance with tax laws and regulations.

Many ATGs target specific industries or businesses, such as construction, aerospace, architecture or veterinary medicine. Other ATGs address issues that frequently arise in audits, such as executive compensation, passive activity losses and capitalization of tangible property.

IRS auditors examine many business types, plus individuals and tax-exempt organizations. Each type of return might have unique industry issues, business practices and terminology that auditors need to understand. Using a specific ATG, an auditor may be able to reconcile discrepancies when reported income or expenses aren't consistent with industry norms, or identify anomalies within the geographic area in which the business is located.

Get a heads-up

Although ATGs were created to help IRS examiners uncover common methods of hiding income and inflating deductions, they also can help businesses ensure they aren't engaging in practices that could raise audit red flags. Some guides were written several years ago and others are relatively new, or recently revised or updated. Be aware, not every industry has a guide.

You can find a complete list of available ATGs on the IRS website:

<https://www.irs.gov/businesses/small-businesses-self-employed/audit-techniques-guides-atgs>