

**Abstract:** To prepare for a business audit, an IRS examiner generally researches the specific industry and issues on the taxpayer's return. Examiners may use IRS Audit Techniques Guides (ATGs) to do so. A little-known secret is that these guides are available to the public on the IRS website. In other words, a business can use the same guides to gain insight into what the IRS is looking for in terms of compliance with tax laws and regulations.

## **Want to find out what IRS auditors know about your industry?**

To prepare for a business audit, an IRS examiner generally researches the specific industry and issues on the taxpayer's return. Examiners may use IRS Audit Techniques Guides (ATGs). A little-known secret is that these guides are available to the public on the IRS website. In other words, your business can use the same 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, art galleries, architecture and veterinary medicine. Others address issues that frequently arise in audits, such as executive compensation, passive activity losses and capitalization of tangible property.

### **Unique issues**

IRS auditors examine different types of businesses, as well as individual taxpayers and tax-exempt organizations. Each type of return might have unique industry issues, business practices and terminology. Before meeting with taxpayers and their advisors, auditors do their homework to understand the industry and its typical issues, the accounting methods commonly used, how income is received, and areas where taxpayers might not be in compliance.

By using a specific ATG, an auditor may be able to reconcile discrepancies when reported income or expenses aren't consistent with what's typical for the industry. The auditor also might identify anomalies within the geographic area in which the business is located.

### **Updates and revisions**

Some guides were written several years ago and others are relatively new. There is not a guide for every industry. Here are some of the guides that have been revised or added recently:

- Entertainment (March 2023),
- Construction Industry (April 2021),
- Child Care Provider (January 2022), and
- Equity (Stock)-Based Compensation (June 2024).

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. For a complete list of ATGs, visit the IRS website here:

<https://bit.ly/2rh7umD>