

# In Perspective

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## Individual Tax Section

### Tips to Avoid an Audit - IRS Focus Areas for 2010

For the upcoming filing season, the IRS will be focusing their attention on the following sections of your individual tax return.

#### 1. Schedule A - Charitable Contributions

*Keep all of your receipts.* The IRS will not recognize a charitable contribution without a receipt. If your return is selected for an audit by the IRS, one of the main focus areas will be cash contributions, particularly cash donations made to a church collection basket. These cash contributions will be disallowed since a proper receipt is not collected at the time of donation. Taxpayers should utilize church envelopes and online services for proper documentation of all charitable donations.

#### 2. Schedule C – Bank Records

*Keep bank records up-to-date.* The IRS will be focusing more attention on Schedule C. If the IRS decides to audit a taxpayer's Schedule C, a taxpayer's bank account will be reviewed to ensure deposits match the revenue reported on the form. Taxpayers should have a separate bank account for business use. If a taxpayer has a separate bank account for business transactions, the IRS will only review that account. If a taxpayer has one bank account for both personal and business use, the IRS will review every transaction in the account. This could result in a more through IRS audit.

#### 3. Net Worth

*Taxpayers with a net worth greater than \$10 million.* The IRS will target people with a net worth greater than \$10 million for an audit. They use computer analysis to pin point and pull those returns for review to ensure reporting is accurate and appropriate.

Contact your client executive with your individual tax questions.