

# 6 Commandments Of

## Staying Out Of Jail.



**1. Hire an Accountant.** I know what you are thinking as you read this--"Why do I need to pay an accountant, when I can buy a tax software program for \$49?" For starters, an accountant can help you get organized. He can advise you on the best way to keep your records. An accountant can help you prepare profit-and-loss statements so that you can see how much money you are making and where your money is going, and help anticipate how much tax you may owe. He can advise you as to what is or is not deductible for tax purposes, as well as the best way to substantiate and increase your legitimate deductible expenditures. Most importantly, an accountant can help you in tax-filing compliance, the one area where most of my clients get into trouble--just by missing deadlines.

**2. Keep Good Records.** Without good records, you have no means to justify your legitimate deductions under the tax laws. Remember: in an audit, the burden of proof is on *you* to substantiate your legitimate tax deductions. Keep a daily calendar of your activities and receipts for all your business expenses, organized monthly. I know this sounds like more trouble than it's worth, but let me assure you that if you follow my advice it will be well worth the effort for two reasons.

First, it will make it that much easier for your tax preparer to go through your records.

And perhaps more importantly, it will allow you to defend yourself should the IRS ever come knocking at your door. I have seen with my own eyes what happens in an audit situation where the client records are sparse or non-existent. It isn't a pretty sight.

**3. Never Ignore Big Brother.** Upon receipt of a letter from the IRS, run (do not walk) to a tax professional. IRS letters run the gamut from the fairly benign inquiry to a serious problem. (As a quick rule of thumb, a certified letter usually indicates a serious problem.) For example, it is not uncommon for the IRS to lose a tax return or payment. If you can quickly satisfy the IRS by sending them a copy, why not take care of the problem now, before it becomes more serious? (I actually had a client ignore a letter in which the IRS was trying to verify a \$14,000 overpayment before refunding it to my client. By the time I became involved--five years later--it was too late to request the money, as the time period for requesting refunds had expired!)

**4. If It Sounds Too Good To Be True, It Probably Is.** Many MLM clients ask me about putting their money in unincorporated business organizations, or offshore, or in gold bullion in the cellar, with the idea that then they won't have to pay tax. When you hear advice like this, keep one thing in mind: There is a good chance that the IRS already knows about this tax dodge. Or they'll find out eventually. My advice is to seek a reputable third-party opinion. I know this will cost some money, but it could save you thousands of dollars in aggravation later.

**5. File Your Tax Returns in a Timely Manner.** The easiest way for you to get into trouble with the IRS is to not file your tax returns on time. Very few people who voluntarily file their tax returns are audited. On the other hand, my experience is that people who only file their tax returns after IRS inquiry are more likely to be scrutinized. I cannot think of a single good reason to make yourself more visible to IRS radar.

**6. Don't Make It Up.** People tend to panic at tax time when they discover that a huge tax bill awaits. It is very tempting to start making up numbers. Resist this temptation. While it is never pleasant to owe the IRS money, submitting an obviously false tax return could land you in jail. A corollary is that you should also resist the temptation to make up receipts for the IRS to look at if you are audited. I had one client get criminally charged for doing just this--so, to save \$12,000 in taxes, he ended up paying \$25,000 in legal fees!

**Now** that I have your attention . basic tips on how to save money!