

## IRS AUDITS/INCOME RECONSTRUCTION - 4/24/2014

The IRS was again successful in asserting the ‘bank deposits’ method of reconstructing a taxpayer’s gross income in a recent Tax Court case. The taxpayer in this case claimed that the deposits to his bank account in question were actually tax refunds and wages from his primary employer, but had only his testimony to corroborate this assertion. The Tax Court ruled in favor of the IRS, stating that the taxpayer’s unsubstantiated testimony was insufficient.

Had the taxpayer obtained competent representation in the examination underlying the court case, he might have been able to more effectively assert his position and avoid the tax liability and penalties that he incurred. He also might have been able to obtain a more favorable result with the IRS Appeals office, rather than presenting a weak case in the Tax Court. If you have been selected for an examination by the IRS, please contact one of the tax attorneys at Fletcher Tilton for assistance.

### THE GUARANTY BUILDING

370 Main Street, 12th Floor  
Worcester, MA 01608  
TEL 508.459.8000 FAX 508.459.8300

### THE MEADOWS

161 Worcester Road, Suite 501  
Framingham, MA 01701  
TEL 508.532.3500 FAX 508.532.3100

### CAPE COD

1579 Falmouth Road, Suite 3  
Centerville, MA 02632  
TEL 508.815.2500 FAX 508.459.8300

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