

INCOME AND EXPENSE SUBSTANTIATION - MAY 2014

In a recent Tax Court case, the IRS was successful in using the bank deposits method to reconstruct the taxpayer's income when the taxpayer failed to file tax returns or maintain adequate records of his operations. To make matters worse for the taxpayer, because he did not maintain the adequate records, he was unsuccessful in substantiating deductions for his business expenses.

The case is another illustration of the problems that a taxpayer can have when he fails to keep sufficient records. If you have questions about your own recordkeeping and tax reporting, please contact David Guarino or Cory Bilodeau, the Co-Chairs of the Tax Practice at Fletcher Tilton.



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