



# The Value of Proactive IRS Audit Monitoring

Signed into law by President Biden on August 16, 2022, the Inflation Reduction Act will infuse the IRS with \$80 billion in new funding. The agency plans to use a portion of this money to upgrade its technology and double its staff by hiring over 80,000 new employees. A significant increase in IRS correspondence and field audits will almost certainly result, creating a revenue-generating opportunity for you and them.

## **Plan and prepare now to make the most of this potentially very profitable moment.**

In this guide, you will find the following resources to garner advanced notice of IRS audits up to 6 months in advance and how this can help you grow your practice and provide peace of mind to your clients:

- » [Proactivity vs. Reactivity](#)
- » [Understanding IRS Transaction Codes \(TCs\)](#)
- » [What is IRS Monitoring?](#)
- » [The Benefits of Monitoring IRS Audits Proactively](#)
- » [IRS Audit Monitoring Creates Opportunities for Your Practice](#)
- » [Appendix: IRS Action Transcript Codes](#)

## **Proactivity vs. Reactivity**

Do you know the difference between being proactive and being reactive? Proactive thinking and behavior consider and anticipate future conditions and issues, allowing for advanced preparation. Reactive thinking and behavior take each moment as it comes, dealing with issues only as they arise. It's easy to see the difference in the clients you serve. Some maintain careful records, schedule time with you, and send returns and other documents to the IRS well in advance of deadlines. Others keep their paperwork in a shopping bag (if they keep it at all!), arrive at your office in a whirlwind of panic, and frequently pay interest and penalties for late filings.

[Experts recommend](#) cultivating a routinely high level of proactivity at work. [Psychology Today](#) says, "Being proactive relates positively to job performance, team performance,

Don't just sit there and worry. Be proactive. Do something - anything - about what's worrying you so you can gain information, focus and control over the situation.  
– Mark Twain

career success (career satisfaction, pay, and advancement), and psychological well-being. Proactivity also predicts better results as a leader and in entrepreneurial pursuits.” Of course, the limits of your proactivity will occasionally be tested. Despite your best preparation, unexpected emergencies will arise. The difference is that proactive professionals deal with fewer crises than their reactive colleagues and are better prepared to handle them when they occur.

Creating a proactive mindset for yourself and your team will improve the service provided at your tax resolution practice. You can achieve this by staying up to date on changes to IRS rules and regulations, participating in continuing education programs, and embracing new tools and technologies like [IRS Solutions](#) with IRS Advance Notice™ (IAN).



# Understanding IRS Transaction Codes (TC)

After receiving a tax return, information return, election, correspondence, or payment, the IRS synthesizes the new data and uses it to generate [several types of transcripts](#). Every single IRS action is recorded, from a routine activity like receiving a tax return to more extreme moves like referring an account to a collection agency. These transcripts are a treasure trove of data for tax resolution specialists. Each action has a different transaction code (see appendix) and is essentially an instruction to the IRS system.

**604: Write Off Balance Due**

**530: Account Currently Not Collectible**

**780: Accepted Offer in Compromise**

**481 Denied Offer in Compromise**

**971: Passport Certified Seriously  
Delinquent Tax Debt**

**922: Review of Unreported  
Income**

**420: Examination of  
Tax Return**



Spotting and understanding changes to your clients' IRS transcripts gives you a real advantage. The information they contain can let you know that an Offer in Compromise (OIC) has been received and approved or rejected or that an account's status has been modified to Currently Not Collectible (CNC). It can offer a clue that your client's passport is about to be revoked. Most critical, in many cases, your client's IRS transcript can alert you to an impending audit. TCs are often added to a transcript up to 180 days before a notification is sent by mail, giving you time to prepare, and by being proactive, you may be able to prevent penalties and interest. Imagine the damage you could prevent with that knowledge.

Sounds great, right? There's a catch. These changes occur silently. The IRS doesn't notify the taxpayer or their appointed representative of changes. You have to find them.

## What is IRS Advance Notice™ Audit Monitoring?

Previously, an onerous and cumbersome process was the only way to monitor the codes being applied to client accounts. You had to submit a transcript request to the IRS, wait for it to arrive, then sift through it to spot changes and take the time to decode them. Now there's a better way. Get the advance notice you need to succeed with IRS Advance Notice™ (IAN) from IRS Solutions.

Proactive monitoring with IAN is simple, automated, and fully customizable. Once you've entered a client into your database, the powerful IRS Solutions API sees into the IRS system, and then the software alerts you to transcript changes. With just a few clicks, you choose from the complete list of TCs and select which notifications you want to receive for each client. Those flags will give you the insights that your clients need to prepare for audit defense, save on interest and penalties, be aware that your client is in collections or and avoid passport forfeiture.

There are people who make things happen, there are people who watch things happen, and there are people who wonder what happened. To be successful, you need to be a person who makes things happen.  
– Astronaut Jim Lovell



# The Benefits of Monitoring IRS Audits and Actions Proactively

Proactive monitoring of IRS actions gives your clients a heads up and the ability to start preparing well in advance. Imagine two different conversations about the thing that many clients fear most: an IRS audit. In the first, you come to your client and surprise them with the news that they are being audited by the IRS. A date has been scheduled. This crisis is unavoidable and there's nothing either of you can do to prevent it. Your client leaves your office in tears. In the other, you tell the client it has come to your attention that the IRS is *considering* an audit. By working together now, they can avoid it.

If the client left a 1099 off their return or committed another error, you can amend the return, stop the audit in its tracks, and save the client from being assessed tax-related penalties. The client leaves the office on their phone, telling a friend, "My accountant is so great! Can you imagine your accountant doing this for you?"

That's not all that proactive audit monitoring can do for you. Look at some of these other opportunities created by IRS Advance Notice™:

- » You and your client will have more time than ever before to calmly gather and organize documentation that you know the IRS is going to demand.
- » You will know immediately when your client is in default on their installment agreement.
- » Did you know that the IRS does not routinely copy taxpayer representatives on State Department communication around passport forfeiture? IAN may provide you with your only notification that your client has been certified as seriously tax delinquent and that the IRS is requesting the State Department to refuse your client's passport renewal or even revoke their passport.
- » With IRS Advance Notice™, you will know sooner than ever before if a Notice of Federal Tax Lien is about to be filed, often even before the notice is recorded with your client's County Recorder or Secretary of State's office.
- » You'll have eyes on everything, seeing changes to your client's transcript in real time. You might even notice fraud on their behalf.

# IRS Advance Notice™ Creates Opportunities for Your Practice

Your clients want one thing from you above all others: peace of mind. Dealing with the IRS is anxiety-provoking for many Americans, even those who have never had a problem. A 2018 study [demonstrated](#) that one in four Americans are afraid of a tax audit. Among people over 65, that figure jumps to one in three. IRS Advance Notice™ isn't just for tax resolution clients! You'll be able to **charge up to 20% more** for your tax preparation services when you include audit protection. The exclusive IRS Solutions Marketing Toolkit includes a variety of templates and tools to help you explain this service to your clients; including opt-in and opt-out letters that you can brand with your logo. Leverage these tools to encourage clients to sign up for year-round monitoring that you provide via the fully-automated IRS Advance Notice™ system.





# About IRS Solutions

A tax pro's best friend, IRS Solutions is a full-service solution that offers specialized tax resolution software, membership benefits, and so much more. By maximizing efficiency, our members earn more in less time thanks to:

- » Automated solution and offer recommendations that let you know which option is most likely to be accepted by the IRS.
- » Advance notification of changes to client IRS transcripts.
- » Easy-to-use tools to manage IRS collection cases, OICs and notice response needs.
- » Easy client communication.
- » Instant updates to reflect client-initiated changes.
- » Secure, fully compliant protocols that maintain the safety of your data.
- » White-glove support.

## What Else Can You Do with IRS Solutions?

- » Pull transcripts for multiple clients and/or years in a matter of seconds. Request Transcripts, CAF checks, Audit Alerts, and IRS Advance Notice™ notifications in bulk using the software's powerful API.
- » Find all the necessary up-to-date IRS forms that you need to manage tax resolution cases from start to finish.
- » Prewritten letter templates to save you time and thought in writing.
- » Automatically combine transcripts and financial information into a single, beautifully laid-out client report.
- » Generate client invoices and process payments.



## Additional Membership Benefits

IRS Solutions is so much more than another subscription. It's a community of tax professionals, and we're waiting for you. Along with access to our software, membership also includes:

- » Up to 12 CPE credits annually, provided through monthly classes, with the latest information about everything from penalties, liens, and OIC to IRS news.
- » Our exclusive Marketing Toolbox containing all the tools you need to advertise your service and grow your revenue, including an IAN client opt-out in letter, social media posts, flyers and more.
- » Your invitation to the private IRS Solutions members' Facebook Group.

## Try IRS Advance Notice™ Action Monitoring

Find out how easy-to-use IRS Advance Notice™ from IRS Solutions can help you streamline work, boost client satisfaction and generate revenue at your practice. [Schedule your demo](#) today or give us a call at (844) 447-7765.



# Appendix: IRS Action Transcript Codes

## Alert Code Scanning

Alert Type	TC Code	Explanation
<b>Possible Audit</b>	420	Examination of tax return
	421	Closed examination of tax return
<b>Unreported Income</b>	922	Review of unreported income
<b>Passport Delinquent</b>	971	Passport certified seriously delinquent tax debt
		Mandated reversal and/or exclusion from passport certification
	972	Passport certified seriously delinquent tax debt reversal
		Reversal of mandated exclusion from passport certification
<b>Installment Agreement</b>	971	Installment agreement established
		No longer in installment agreement status
		Pending installment agreement
		User fee paid to establish installment agreement
		One spouse requested an installment agreement
		User fee paid to reinstate installment agreement
	972	Removed installment agreement
<b>Offer in Compromise Activity</b>	480	Received offer in compromise
	481	Denied offer in compromise
	482	Withdrawn offer in compromise
	483	Removed offer in compromise
	780	Accepted offer in compromise
	781	Terms not met for offer in compromise
	782	Removed offer in compromise
	788	Satisfied conditions of offer in compromise
	971	Fully accepted offer in compromise
		Offer in compromise received
<b>Federal Tax Lien</b>	582	Lien placed on assets due to balance owed
	583	Removed Lien
<b>Notices Issued</b>		CP letters and notices issued

... and many more!