

AUDIT RECONSIDERATION

John and Jane Doe were subject to a recent examination in which they chose not to have professional representation. The exam resulted in significant assessments that are still unpaid with the appeal window now closed. They now have come to see you and you have determined that if certain other information was provided, the assessments would have been reduced. Audit Reconsideration may be an available resource.

Overview of Audit Reconsideration

Audit Reconsideration is a process used by the IRS when a taxpayer disagrees with the results of an IRS audit or when the IRS creates a return on their behalf (Substitute for Return, or SFR). This process provides an opportunity to submit new evidence or correct errors after the standard appeals window has closed.

Reconsideration requests will result in either a full adjustment, where the IRS agrees to reduce or eliminate the additional tax, a partial adjustment, where the IRS makes some changes but not all requested adjustments, or no adjustment, where the IRS maintains the original findings.

Eligibility for Audit Reconsideration

- **Final Determination:** The amount of tax you owe is the result of a final determination on your tax liability. If the taxpayer did not sign a final agreement with the IRS ([Form 906, Closing Agreement on Final Determination Covering Specific Matters](#); [Form 866, Agreement As to Final Determination of Tax Liability](#); [Form 870-AD Offer to Waive Restrictions on Assessment and Collection of Tax Deficiency and to Accept Overassessment](#)), reconsideration may be available.
- **New Information:** Evidence that was not available or considered during the initial audit.
- **Computation or Processing Errors:** Errors in the application of tax law or in calculating the amount of tax due.
- **Unpaid Assessments:** Reconsideration applies only if the tax remains unpaid. If the tax has already been paid, the taxpayer must file a refund claim (subject to the statute of limitations).

Requirements for Submission

- Include a copy of the original audit report (Form 4549) and the taxpayer's tax return (Form 1040).
- Include copies (not originals) of supporting documents, such as receipts or records substantiating deductions or credits.
- Provide a clear and concise explanation of the changes being requested and how the new information affects the assessment.
- Although not required, [Form 12661, Disputed Issue Verification](#), is recommended to explain the issues you disagree with.
- Send the reconsideration request to the address listed on the audit report. If unclear, call the IRS Practitioner Priority Service (1-866-860-4529) for guidance or the exam manager where the examination was initiated if in the field.

Special Considerations

- **Combat Zone and Disaster Area Cases:** Special rules apply for individuals serving in combat zones or affected by disaster areas, including extensions for providing documentation or submitting requests.
- **Identity Theft:** Taxpayers who have experienced identity theft may request audit consideration if the audit resulted from fraudulent returns filed in their name. The taxpayer must also submit documentation to prove the identity theft, such as an Identity Theft Affidavit (Form 14039).
- **Collection Action:** Filing an audit reconsideration may temporarily suspend collection actions, though this could toll the collection statute. Taxpayers on installment agreements must continue making payments during this process.

Appeal Rights

Even if the reconsideration request is denied, taxpayers have appeal rights. Practitioners can help their clients pursue further administrative review if necessary.

Before sending an appeal, you may find success in requesting to speak to a manager if the reconsideration is worked at the field level. If the case is being worked in a campus, a manager conference is generally not available.

Best Practices for Practitioners

- **Accurate Documentation:** Only submit clear and relevant new evidence, avoiding any redundant or extraneous information.
- **Timely Submissions:** While there's no set deadline for submitting an audit reconsideration request, timely action is important to halt collection activities. Prompt submission or reconsideration requests also limits the potential for payments or offsets to be time barred.
- **Clear Communication:** Keep the client informed of the potential outcomes and the length of time the IRS may take to respond.

Additional Resources

You can read more about the process by reviewing [IRS Publication 3598, What You Should Know About The Audit Reconsideration Process](#). This IRS publication provides a comprehensive guide on audit reconsideration. For a deeper understanding of reconsideration procedures, please refer to [IRM 4.13](#).

If your case is not being worked timely, or if the taxpayer is facing an economic burden, the taxpayer can request assistance from the [Taxpayer Advocate Service via Form 911, Request for Taxpayer Advocate Service Assistance](#).