

Top 10 IRS Audit Red Flags

Certain factors increase the possibility that your tax return will be audited.

During 2023, the Internal Revenue Service audited fewer than 1% of tax returns filed by individuals. Several red flags can increase the chances of the IRS selecting a particular return for audit. By understanding these red flags, you can reduce the risk of an audit. Some of the most important red flags to understand fall into four categories:

Income

Not filing
a tax return



Failing to
report all
taxable
income



Having
higher
income



Deductions & Credits

Alimony
deduction



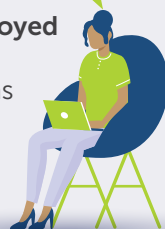
Disproportionately
large charitable
deductions



Rental real
estate losses



Excessive
self-employed
business
deductions



Foreign Ties

Claiming the foreign earned income
or housing exclusion, and/or the
foreign housing deduction



Failing to report a
foreign bank account



Transactions

Engaging in virtual
currency or other digital
asset transactions

