

Top 10 IRS Audit Red Flags

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

Most tax returns are never audited—but some common missteps can raise red flags with the IRS. 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

Disproportionately large charitable deductions



Alimony deduction



Rental real estate losses



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



Excessive self-employed business deductions

