



**Jim Hall**  
President & Agency Owner

# Circle of Safety

## For Friends & Clients of the Merritt Hall Agency

### 6 Proven Ways to Avoid an IRS Audit!



April 18th is the deadline for the filing of personal income tax returns. With the sheer volume of returns filed, the IRS does not manually review each and every return. Most tax returns are processed by IRS computers. These computers are programmed to watch for anything out of the ordinary, anything that strays too far from statistical norms. An item that falls outside the norm may be “flagged”, increasing the likelihood that a return will be audited. A flagged return will then be manually reviewed by an IRS employee to determine if there’s an actual need for an audit. Being flagged doesn’t guarantee you’ll be audited, but it does mean the IRS will probably take a closer look at your return.

Here are 6 of the most common things the IRS looks for. Avoid these and your chance of an audit will plummet.

1. **Unreported Income** - If you file a return, but fail to report income you’ve received, trouble won’t be far behind. Report all interest, capital gains, dividends or miscellaneous income you receive, not just your W-2 income. Remember: every entity that sends you a W-2 or 1099 also sends a copy to the IRS.
2. **Round Numbers** - It is unlikely that your investment returns were exactly \$1,500 or that your mortgage interest deduction was exactly \$12,000, or that you drove exactly 9,000 miles for your job/business. Too many round numbers on a return triggers the IRS that something fishy might be going on.
3. **Discrepancies Between State and Federal Returns** - Believe it or not, the state and federal revenue departments do communicate with each other. The process is slow, but if they discover discrepancies between the numbers you reported to the state and the numbers you report to the federal, you can expect further inquiry.
4. **Economic Reality** - The IRS has detailed statistics and empirical data on economic averages. They know roughly what someone in your line of work earns and what expenses and deductions are typical. Anything deviating too far from these economic averages could bring your return under the spotlight.
5. **Drastic Changes in Income** - Most people do not have incomes that swing wildly up and down, and the IRS knows it. If your income shows significant unexplained fluctuations from year to year, it can cause the IRS to question the accuracy of the your return. In such cases it’s a

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**April 2011***(Continued from page 1)*

good idea to add an explanation to your return. So if you lost your job and lived on savings, or if you got a handsome promotion, or if you're in a profession where your income can fluctuate significantly (sales) put it in writing on your return. Sure, it's none of the IRS's business, but it may alleviate an auditor's initial suspicions.

6. **High Itemized Deductions** - Go ahead. Claim each and every deduction you qualify for. There's nothing wrong with that. Just be aware that anything too far outside the averages can trigger your return for a closer look. And make sure you adhere to the IRS rules for what is and isn't a qualified deduction. Keep good records, and avoid getting "creative" (as some do) with your definition of medical expenses or charitable contributions.

## April Fun Facts

- April 1 - William Harvey, English physician who discovered the circulation of the blood, born 1578.  
Russian composer Sergei Rachmaninoff born 1873.
- April 2 - First federal U.S. mint established in 1792  
Walter P. Chrysler, automaker, was born in 1875.
- April 3 - First Pony Express service began, 1860.  
Washington Irving, American author, born 1783.
- April 4 - Congress adopted the flag with 13 stripes and with 1 star for each state, 1818
- April 5 - Pocahontas married John Rolfe, 1614.  
Elihu Yale, benefactor of Yale University, born 1649  
Booker T. Washington, educator, born 1856.
- April 6 - U.S. declared war on Germany (WWI) 1917.  
Robert Peary reached what he claimed to be the North Pole, 1909
- April 7 - William Wordsworth, English poet, born 1770.
- April 8 - Henry Aaron broke Babe Ruth's major-league home run record, 1974.
- April 9 - General Robert E. Lee surrendered to General Ulysses S. Grant in the Civil War, 1865.
- April 10 - United States patent system established, 1790.  
William Booth, founder of the Salvation Army, born 1829.  
Joseph Pulitzer, newspaperman, born 1847.
- April 11 - Napoleon Bonaparte abdicated the first time, 1814.
- April 12 - Yuri Gagarin, Soviet astronaut, became the first person to orbit the earth, 1961.  
The Civil War began at Fort Sumter, 1861.
- April 13 - The Edict of Nantes gave religious toleration to Huguenots in France, 1598.  
F.W. Woolworth, American merchant, born 1852.
- April 14 - Noah Webster copyrighted the first edition of his dictionary, 1828.  
John Wilkes Booth shot President Abraham Lincoln, 1865.
- April 15 - Ocean liner Titanic struck an iceberg and sank, 1912.  
Leonardo da Vinci, Italian artist and scientist, born 1452.
- April 16 - Wilbur Wright, inventor, born 1867.
- April 17 - J.P. Morgan, financier, born 1837.
- April 18 - Paul Revere made his famous ride, 1775.
- April 19 - The Revolutionary War began in Lexington, 1775.
- April 20 - Adolf Hitler, German dictator, born 1889.
- April 21 - Rome founded, according to tradition, 753 B.C.  
Charlotte Bronte, novelist, born 1816.
- April 23 - William Shakespeare born 1564  
First public showing of a motion picture, New York City, 1896.
- April 24 - Library of Congress established, 1800.
- April 25 - Guglielmo Marconi, inventor of wireless telegraphy, born 1874.
- April 26 - Alfred Krupp, German industrialist, born 1812.
- April 27 - Samuel F. B. Morse, inventor of the telegraph and Morse code, born 1812.
- April 28 - James Monroe, 5th President of the U.S. born 1758.
- April 30 - Washington inaugurated as the first President of the United States, 1789.  
Louisiana Territory purchased from France in 1803, and it became the 18th state in 1812.  
Television first publicly broadcast, from the Empire State Building in 1939



Quote of the Month



*"The best time to plant a tree was 20 years ago. The second best time is now." – Chinese Proverb*

April 2011

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**BONUS:** You can also win \$100 Cash just for sharing your comments with us. Next drawing will be held April 29, 2011. To be entered to win, send your comments to [mhall@merrithall.com](mailto:mhall@merrithall.com)

### Thank You! Thank You! Thank You!

Thanks to everyone who graciously shared their family and friends with us! A few of you are listed below.



Angelina Carroll  
Shonika Bonner  
Brenda Gregory  
Tim Smith

Brooke & Shawn Springman  
Robert & Brenda Cockrell  
Shawn Bringham  
Rob Green  
Robert Brown  
Marvin Johnson  
Sharyn Peters  
Steve Edsall

## A Not-So-Trivial Pursuit

Be the first to correctly answer the question below and win a prize! The prize this month is a **\$25 gift card for Panera Bread**. Just one correct (or nearly correct) answer, and you could be the winner. The Rules:

1. The entry that comes closest to the correct answer will be the winner.
2. If more than one person has the exact answer, the winner will be the person whose entry reached our office first.

Write down your name, phone number and answer, and then fax it to (317) 240-3705 or Email your answer to: [contest@merrithall.com](mailto:contest@merrithall.com). The winner will be featured in our next newsletter! Good luck!

*Which state was admitted to the union by the U.S. Congress in 1816 and given a name meaning "land of the Indians?"*

Your Name \_\_\_\_\_ Phone # \_\_\_\_\_

Your Answer \_\_\_\_\_

★ **Congratulations to Shelley Jones!** Shelley was first to correctly answer last month's trivia question: "Name the birthstone and birth flower for March."

**Answer:** Birthstone: Aquamarine, Birth flower: Daffodil



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**April 2011**

# *The Circle of Safety*

A Monthly Newsletter For Friends & Clients of Merritt Hall Insurance

## *In This Issue...*

- 6 Proven Ways to Avoid an IRS Audit!
- April Fun Facts!
- Beware Spring Floods!
- Prize Winners Revealed!



# HAPPY EASTER

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## **Congratulations, Candy Sebree! Winner of \$100 Cash!**



On March 31, we held a drawing for \$100 cash. Dozens of friends and clients submitted a comment in time for the drawing, and Candy was the lucky winner. Here's what Candy had to say:

“Merritt Hall is the best insurance company I’ve ever had. I always get treated great and never have to worry about anything. But I’m sure everyone gets treated as well as I do...”

Thanks, Candy!

## **We Get Mail!**

“After being with Merritt Hall for over twenty one years, we have been very pleased. The rates are good too! My hat is off to your company. Thanks!” - *Opal Carr*

“I am so pleased to have this opportunity to express my appreciation for the Merritt Hall Agency, the owner, producers and staff. Having been a part of the Merritt Hall team for 17 years, I know from experience to be confident in the personal care the agency provides its clients. My own coverage is with Merritt Hall and always will be.” - *Cindy Adams, retired Merritt Hall team member*