

Recovering Money

Small Businesses Filing Amended Federal Tax Returns

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April 15th may be gone but, but certainly not forgotten especially if you, like millions of small businesses, unknowingly overpaid your federal taxes and can recover money by filing an amended return. According to the IRS tax code, you have three years from the filing date for the tax year in question to file an amended return. For example, if returns for the 2003 tax year were filed on March 1, 2004, the taxpayer has until March 1, 2007 to file an amended return. This same rule also applies if the taxpayer feels they have made errors resulting in a balance.

Most business owners either prepare their business taxes themselves or have a tax preparer or accountant do them. With either method, the tax liability can be calculated as higher than it actually is because of missed deductions, unrecognized changes in tax laws or just plain being given bad advice.

There are a number of applicable deductions which many tax preparers often miss from home office deductions to self-employed health insurance to personal assets converted to business use. Although some deductions may seem minor, over an entire year, they can add up to thousands of dollars.

Another area, which causes many businesses to overpay, is being given incorrect advice by their tax preparer or even the IRS directly. In a poll performed by Money Magazine, the average tax preparer produces an average of 480 returns between February 1 and April 15, making it difficult for each return to get the time and attention it deserves. This same poll also found there was an average discrepancy of 300% between what the tax preparers said was due and what was actually due. Furthermore, in the IRS's

2001 assessment of their own call centers, they found that 50% of the time, their representatives gave incorrect or insufficient advice. Whether a business owner does their taxes themselves and had to call the IRS for clarification on an issue or a CPA did, odds are the answer was not correct.

The United States tax law is one of the most complex in the world. Not to mention, tax laws change every year and have changed tremendously in the last couple of years. Even the best tax preparer, CPA or even IRS representative can, like all humans do, easily make a mistake.

In 2002 alone, 3.3 million taxpayers filed an amended return. Samuel Rowley, owner of Muffler Masters in Colorado, was able to recover \$14,500 through the filing of an amended return when it was found that he overpaid FICA and payroll taxes. Another small business owner, Karen McClafflin, owner of home-based Secret Canyon Realty, was able to recover \$11,000 when her tax preparer failed to include home office and automobile deductions in her past returns.

Why is it that when faced with a life-threatening surgery a second opinion is immediately sought after but, when trusting thousands or millions of dollars to an individual or entity, it's done without question? Businesses must get a second opinion, whether it is done before or after the return is filed, to ensure they are not overpaying or simply to ensure their returns are accurate in all aspects. If not, they could be leaving thousands of dollars on the table.

About the Author, Darren B. Oliver: Mr. Oliver has appeared on *Bloomberg TV* and *Business Briefs* with Walter Cronkite. His businesses and articles have been written up in *The Wall Street Journal*, *USA Today*, *Success*, *Entrepreneur*, *Money* and other national publications. In 2002, Mr. Oliver received the honor of being named *Colorado Business Man of the Year*. Thousands of clients have benefited from this information, get his new book "**Who's In Your Pocket**", available online now at <http://whosinyourpocket.net> and in book stores Fall 2007.

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