

# Worksheet

## Knowing Your Rights

### Theme 1: Your Role as a Taxpayer Lesson 4: The Taxpayer's Rights

#### Key Terms

**appeal**—To call for a review of an IRS decision or proposed adjustment.

**tax liability (or total tax bill)**—The amount of tax that must be paid. Taxpayers meet (or pay) their federal income tax liability through withholding, estimated tax payments, and payments made with the tax forms they file with the government.

#### Summary

Tax returns may be examined for many reasons. Computer programs identify returns that are most likely to warrant an examination, or audit. A return also can be selected for examination because it does not match information provided by an employer or other source.

Taxpayers have two fundamental rights with the IRS: the right to strict privacy and confidentiality of information in tax returns, and the right to **appeal IRS-proposed adjustments** to their return. Adjustments can come in the form of a refund or **tax liability**.

#### Activity

Read the case study below and answer the questions that follow.

Nancy and Jeff Carpenter received their package of tax forms from the IRS. Because the Carpenters had recently moved, Jeff went to the library to pick up the appropriate form to claim moving expenses. They carefully completed the forms and mailed them to the IRS on April 5.

Jeff Carpenter was running for a seat in his state's legislature. His political rival hoped to prove that Nancy had illegal sources of income. He called the IRS and asked to have a copy of the Carpenters' return sent to him. His request was refused.

Because of unrelated circumstances and not as a result of Jeff's rival's request, IRS officials checked the arithmetic on the Carpenters' forms. Their return was one of the less than one percent that was selected for further examination.

An IRS representative contacted Nancy and Jeff, asking them to meet with him and to bring verification of their moving expenses. At the meeting, the IRS representative ruled that many of their expenses, including the temporary storage of their furniture, were not tax deductible. He asked the Carpenters to sign an agreement to pay the additional tax.

Answer the questions below in the space provided. Write your answers in complete sentences.

1. Why did the IRS deny the political rival's request to see the Carpenters' tax return?

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2. According to the statistic in the case study above, what percentage of tax returns are selected for examination each year?

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3. In 2013, taxpayers filed 145,819,388 tax returns. About how many of these tax returns would you expect were selected for examination?

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4. What choices do the Carpenters have in the face of the IRS's decision about their tax liability?

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