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DEALER TAX WATCH

A Quarterly Update of Essential Tax Information

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DEALER TAX WATCH OUT

If you had called me personally to ask, "What's happening lately with IRS audits of dealers and dealerships that I need to know about?" ... Here's what I'd say:

#1. IRS EMPLOYEES CONTINUE TO COMPROMISE TAXPAYERS' CONFIDENTIAL INFORMATION. One really appalling piece of news about the IRS in late 2007 didn't get much publicity.

Did you know that over a recent 3½ year period, IRS employees reported the loss or theft of at least 490 computers and other sensitive data? This occurred in almost 400 separate incidents.

"Despite repeated warnings, IRS workers continue to show reckless disregard for computer security. Continued failure in this area is leaving millions of American taxpayers vulnerable to identity theft and other fraudulent schemes."

This is what Senate Finance Committee Chairman Max Baucus said in August in response to a report issued by TIGTA, the agency that reviews the adequacy and security of IRS technology.

Actually, several previous reports by TIGTA were also very critical of the lax IRS standards and practices that were uncovered. Summaries of three TIGTA 2007 reports are on pages 2-3 to give you an idea of just how deplorable the situation has become.

It is clear from these 2007 reports that many of these problems and security issues have plagued the IRS for years. However, the IRS has failed to, or has been unable to, take effective corrective action.

Could you run your business like this? Where's the IRS accountability for this? ... Where's the FTC and Gramm, Leach & Bliley, et al., when you need them? Or, is the problem so big that, like IRS "modernization," it has become another disturbing "fact of life" that's just gotten out of hand that we'll have to live with?

In light of this, maybe there are a few questions you should be asking an IRS auditor during an audit of your client about whether your client's data has

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been compromised. IRS agents won't tell you ... unless you ask.

#2. UPDATE ON SECTION 263A ... IRS GUIDANCE ON COST CAPITALIZATION FOR AUTO DEALERSHIPS. This quarter's "update" on TAM 200736026 is really brief.

IRS. There have been no new developments out of the IRS nor any published guidance.

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LOOKING FOR ADDITIONAL & "VALUE ADDED" SERVICES FOR DEALER CLIENTS?

Look no further... Just use the *Dealer Tax Watch* for a head start in golden consulting opportunities and activities to help dealer clients—and, in the process, to help yourself.