



## 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. NEW SCHEDULE M-3 FOR 2004: MORE TAX RETURN DETAIL WORK & DISCLOSURE.

Will any of your clients be among the 47,000 corporate return filers that the IRS expects to complete its new Schedule M-3 this year?

If so, the special focus of this issue of the *Dealer Tax Watch* could save you some time and effort in getting up-to-speed on this brand new development.

I've read and reread everything I could get my hands on that the IRS has published concerning the new Schedule M-3. My goals were to (1) understand as much of all of this as I could, (2) distill and summarize it for you in some useful way, and (3) provide some sense of direction for coping with these new demands.

In the latter regard, I've put together a *Practice Guide* checklist on pages 24-25 suggesting some activities that you might undertake now to get ready for next year's filing season challenges.

The IRS information from various sources on Schedule M-3 is presented in a variety of formats on the succeeding pages. In many instances, it's not possible to grasp or present all of the implications and issues that you're likely to face next year. Furthermore, the information sources on which these comments are based are likely to change in some respects as the IRS completes the finalization of Schedule M-3 and the Instructions that you will be looking at next year.

Nevertheless, there is a considerable amount of work that has to be done for the first time this year to set up the appropriate information collecting and/or reporting that is now required. Rather than waiting until later and hoping that everything will be "more final" then, my intention is to give you some materials **now**, that you can use with a (hopefully) high level of

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probability that most of this will not be changed later in any significant way.

**Therefore, you must understand that it will be necessary for you to carefully compare this information with the final Form (i.e., Schedule M-3) and Instructions (for Schedule M-3) when the IRS releases them later.**

The thought has occurred to me that the IRS might ease up a bit and decide to postpone for at least one more year the requirement that any part of Schedule M-3 must be completed. To date, the Service has consistently said that it does not intend

### 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.

see **DEALER TAX WATCH OUT**, page 28

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