

InsureTax | Frequently Asked Questions

Core Product FAQs

1. What is IRS Audit Insurance?

It's a protection against IRS audit penalties, tax adjustments and professional fees costs. We pay you immediately when you receive a formal IRS audit notice—no question asked.

2. What makes this different from "Audit Protection" or "Protection Plus"?

Audit Protection plans only handle paperwork or representation. InsureTax pays actual money—covering penalties, tax adjustments, and professional fees. It's an insurance and it is backed by Lloyd's of London.

3. When does coverage trigger?

Coverage begins as soon as you receive an official IRS audit notice (Letters 566, 525, or 2205). No proof of loss is required—the notice itself triggers coverage.

4. How fast is payout?

In 21 days, InsureTax provides an immediate parametric payout once the audit notice is validated. Professional fees reimbursement follows invoice submission.

5. Who is eligible?

Businesses with under \$50 million in assets or revenue, and individuals with business or rental income (Schedules C, E, or K-1) under \$10 million.

6. Can CPAs or EAs offer this directly?

Yes. CPAs, tax professionals and Enrolled Agents can refer clients or be added as a Named Tax Professional, receiving 10% additional coverage toward their unbillable audit work.

7. How do brokers sell it?

Brokers can bundle InsureTax with BOP, E&O, or Cyber policies, partner with tax professionals, or sell it as a stand-alone policy year-round.

8. Does it cover tax, penalties, and interest?

Yes. Tax adjustments, penalties, and interest costs are covered up to the policy limit.

9. Are professional defense costs covered?

Yes. Audit-related professional costs are covered up to the policy limit, including CPA, attorney, and bookkeeping expenses.

10. Are prior-year tax returns covered?

Yes. By default, policies cover tax returns for the past 3 years, with an option to extend coverage up to 7 years where applicable.

11. What are the potential costs of an IRS audit?

IRS audits can cost more than 43% of a small business's assets or income in penalties and tax adjustments. IRS audit professional fees can cost \$10,000 – \$100,000 or more, and consume 30 – 100 hours of one's time. This coverage ensures you're protected from both financial and operational disruption.

12. If I file everything correctly, can I still be audited?

Yes. Even accurate returns can be audited. The IRS uses random selection and data models, not just error detection.

13. Are there exclusions or limitations?

Yes, InsureTax does not cover:

- Fraud or intentional misreporting
- State, VAT, sales, or payroll tax audits
- Unfiled or late returns
- Pre-existing audits

Limits: Up to \$1,000,000 per policy (based on business size). A deductible applies (varies by plan).

14. How much does it cost?

Coverage starts at \$79 per year covered for small individual and \$169 per cover year for a small business. For larger corporations and high net individuals cost can go up to \$12,000 per covered year.

15. How is the payout calculated?

The immediate payouts are based on your income size or the business assets and are correlated with the IRS penalties and tax adjustments for your category. This ensures a predictable, immediate parametric payout without waiting for the audit to close.

16. What's the process for purchasing and activation?

1. Get a quote online by answering basic questions about your business and filings (1-2 minutes).
2. Upload your tax returns to a secure portal.
3. Policy is activated once payment is complete.

Coverage for current or prior-year returns starts immediately once issued.

17. How do I file a claim?

1. Notify InsureTax immediately upon receiving your IRS notice.
2. Once verified, payout is triggered immediately.
3. Submit invoices for defense costs to receive reimbursement.

Client Objection FAQs

1. "I already have a CPA - why would I need this?"

Your CPA can't completely prevent IRS audits or IRS penalties. Even perfect returns can be audited. While some CPAs will help with defending your case, none will cover your penalties or tax adjustments costs, nor extra professional fees such as tax court litigation and appeals.

2. "Aren't audits rare?" / "What are the chances of an audit?"

Yes, audits are rare, but severe. Starting at about %1 audit chance per year for very small individuals or businesses to more than 6% per year for high net individuals or businesses above 10M in assets or revenue. Of those audited, 9 out of 10 result in additional tax or penalties.

3. "Won't my CPA's E&O insurance cover me?"

No. E&O protects the CPA's liability, not yours. It only applies if your CPA makes an error - not if the IRS disagrees with your filing or disallows deductions.

4. "What if I did everything right?"

Filing conservatively is very important to reduce IRS triggers, but you can't eliminate all e.g. random selection. Once selected, the audit process can be costly, time-consuming, and without proper defense could lead to severe consequences, penalties and tax adjustments even when filed conservatively.

5. "How fast will I get paid?"

Once your IRS notice is verified, payment is immediate within 21 days—no waiting for case closure. You'll have funds right away to engage your CPA or attorney.

6. "Isn't this overkill for small businesses?"

No. Smaller businesses face fewer audits, but when they do, the impact is harsher. Our insurance is designed for them—affordable, cost-effective, and covering the severe cases that can hurt most.

Quick Reference FAQs

Do I really need this?

If you file taxes, you're at risk. Even low-risk filers face random audits - and the cost can be severe.

Let me ask my CPA.

Smart move - most CPAs recommend audit insurance because no one can guarantee 100% audits free and no one will cover your IRS penalties or tax adjustments.

I already have "audit cover" or "protection." Why upgrade?

Those programs are service based and only assist with paperwork. InsureTax is the only solution that covers IRS penalties, tax adjustments, and professional fees.

The chances are low - why insure?

Because the impact is high and because it's affordable and cost-effective. Like flood or cyber insurance, IRS audit insurance protects against rare but financially devastating events.

Key Takeaways

- InsureTax is the only solution that covers IRS penalties, tax adjustments and reimburses professional fees.
- Immediate payouts upon audit notice.
- Eligible for businesses under \$50M and individuals with business or rental income under \$10M
- Available through CPAs, EAs, and brokers
- Backed by Lloyd's of London