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Internal Revenue Manual Section 9.5.9.7.2 (11-05-2004)

When to Use Bank Deposits Method

1. The bank deposits method of proof is recommended as the primary method of proof when:
 - A. The subject's books and records are not available.
 - B. The subject's records are not complete and do not adequately reflect their correct income.
 - C. The subject deposits most of his/her income and uses bank deposits to calculate gross receipts on their return.
2. In addition to being a primary method of proving income, the bank deposits method is also used to corroborate other methods of proof and to test-check the accuracy of reported taxable income.