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IRS Intensifies Scrutiny of the Rich

In a move seen as honoring the pledge by its commissioner, Doug Shulman, the IRS has issued more audits of wealthy taxpayers last year. In its annual data release released last Thursday, the records show that the agency called for 33% more audits of those earning between \$1 million and \$5 million compared to 2008 whereas the category of those earning between \$5 million and \$10 million experienced an increase of 16% in the number of audits. The number of audits of taxpayers earning at least \$10 million per year rose by 8.5% in 2009. The percentage increase of those earning at least \$10 million is the lowest because many of these super rich Americans are already being audited every year.

There are approximately \$144 million eligible taxpayers in the US, out of which 0.25% earned at least \$1 million a year but surprisingly, the rich make up a large proportion of those who underpaid their taxes. This has prompted the IRS to increase their watch over those who are rich and especially those who have their money in overseas bank accounts.

The audits of the taxpayers who earn at least \$1 million per year are known as high dollar audits. These audits are viewed as a means of gaining maximum leverage of the IRS' time, energy and manpower to elicit the most money.

The figures for last year showed that those earning at least \$1 million a year had an 8% chance of being audited. This was equal to one in every 12 taxpayers of this category being audited last year. In 2008, the figure was one in every 17 taxpayers, equivalent to a 6% chance of being audited if you had an annual income of at least a million dollars.

Last fall, the IRS made the novel move of setting up the Global High Wealth Industry Group which was aimed at putting the strategies of the super wealthy under the microscope to determine the methods they used to minimize their tax obligations. The methods are the use of partnerships, trusts and overseas bank accounts in countries known to be tax free havens. Besides the work of this group, the IRS has also been able to scrutinize the offshore accounts of about 15,000 wealthy taxpayers who have voluntarily stepped forward to declare their offshore assets, giving them valuable insights on the tactics used by the rich to evade taxes.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a

perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.