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Tax News

Getting the Rich to Pay Taxes

The tax rate for the wealthy are lower today than nearly at any time since the 1930s. Although President Obama promised to repeal Bush-era tax cuts, the government has agreed to postpone the move for another 2 years. On top of that, Republicans are pushing for cuts in public program spending to push the rate down even further.

Does this mean that the government's tax revenue will nosedive? Hardly. The Obama Administration has been hard at work ensuring the super rich pay their dues in taxes. The IRS has initiated a Global High Wealth Industry office aimed at carrying out investigations into the tax compliance of wealthy American taxpayers. And we all know about the high profile tussle between the government and Swiss banking giant UBS Bank that has resulted in the bank divulging account details of 4,450 of their American clients suspected of tax evasion. As a follow up measure, the IRS has also opened up investigation offices in several countries like China, Panama and elsewhere.

The number of audits carried out among the wealthy has also risen. Last year, there were 2,458 audits among taxpayers who earn \$10 million or

more a year, an increase of 905 audits from the 2008 figure of 1,553. Likewise, the number of audits on taxpayers earning between \$1 million and \$10 million also increased by about 50% to 21,660 over the same period. The rate of audit for those earning above \$1 million per year was about 1 in 23 in 2008. This rate increased to about 1 in 13 in 2009. Overall, the chances of being audited as an average taxpayer (not the wealthy) is about 1 in 100.

Most experts estimate that the difference between what should be paid in taxes and what is actually paid (known as the tax gap) at more than \$400 billion. Most of this shortfall is due to the super rich so it is only fitting that the IRS focuses its energies on tracking down tax dodgers among this income group.

Paying Taxes Requirement for Passport Renewal?

If the government gets its way, you will soon have to fulfill all your tax responsibilities before you can apply for or renew your passport.

According to a Government Accountability Office (GOA) report recently, in 2008, the State Department issued 224,000 passports to citizens who owed a total of almost \$6 billion in income tax.

The current law stipulates that the State Department cannot decline your application for a new or renewed passport if you still owe taxes.

Furthermore, the law also forbids the IRS from revealing your tax information to third parties including the State Department without your consent.

The State Department can deny you a passport if there is a warrant for your arrest, a court order disallowing you from leaving the US, or a request

for your extradition. You will also be denied a passport if you have failed to pay child support of more than \$2,500.

In its report, the GAO suggested that tax compliance be added to the list of reasons to decline the application for a passport whether new or renewal. It proposed, "If Congress is interested in pursuing a policy of linking federal tax debt collection to passport issuance, it may consider taking steps to enable State to screen and prevent individuals who owe federal taxes from receiving passports."