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IRS Audits of the Rich Increases

The number of audits done on the rich has been increasing. 18.4% of taxpayers earning more than \$10 million last year were audited compared to only 10.6% in 2009. But in general, for the fiscal year ended September 30 the proportion of those audited rose for all income groups except for those who has no adjusted gross income, according to figures released in Washington lately.

Besides the \$10 million earners, those earning between \$5 million and \$10 million had an 11.6% chance of being audited last year. This represented an increase of 7.5% from the year before. Only 0.64% of those earning a gross income of between \$75,000 and \$100,000 were audited.

The IRS has initiated its offshore voluntary disclosure program that gives the opportunity for wealthy taxpayers who have been evading taxes by hiding their assets in offshore bank accounts to step forward and declare their income in order to avoid criminal prosecution. This disclosure program has not only helped flush out tax dodgers but also allowed the IRS to better understand how rich people in non-corporate circles manage their wealth.

Of late the IRS has focused on the business dealings of the wealthiest

taxpayers and the increase in percentage of audits among those of this income bracket reflects this. The IRS has also formed a committee to focus on 'global high wealth' individuals."

Our goal is to better understand the entire economic picture of the enterprise controlled by the wealthy individual and to assess the tax compliance of that overall enterprise," IRS commissioner Douglas Shulman said, adding, "We cannot do this by continuing to approach each tax return in the enterprise as a single and separate entity. We must understand and analyze the entire picture."

The overall rate of audits for income tax returns was 1.11% that represents an increase of 1% from the year before. Some of this data has been reported without the breakdown at the top of the income scale.

One of the reasons for higher rates of audits among the rich is to foster greater public confidence in the tax system and encourage voluntary compliance by all income groups. The IRS feels that it is important to dispel the popular notion that the rich are getting away from their tax obligations and make people believe that everyone is paying their fair share in taxes.