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Implications of Health Insurance Enforcement on IRS pt 2

The recent Healthcare Reform Law has stirred up more controversy among Americans than any other law of late. Beginning in 2014, the government agency primarily tasked with ensuring that Americans adhere to this law is the IRS. Needless to say, this has stirred up even more animosity towards the whole matter. Even though the government and in particular the IRS has made clarifications to inform the people of how things will be run, strong emotions still run high. The IRS has already stated that it will not hunt down people who transgress the law or impose strong arm tactics like wage garnishments, jail terms or seizure of assets to punish them. While this is fine and good, there are still implications to the taxpayer of the health insurance enforcement by the IRS.

One obvious implication is that this additional responsibility imposed upon the IRS will affect its ability to carry out its basic function of collecting taxes. Before you become too happy over this, you need to note the actual possibilities that may take place. Last year, the IRS processed more than 230 million tax returns, paid 127 million refunds and received about 68 million phone calls. Out of these 68 million attempts to contact the IRS by phone, only 64% of the calls received an answer from an IRS representative. Those statistics are nothing to be proud of. This year, the IRS aims to increase this figure to only 71% (not a quantum leap by any measure). Hence with the additional responsibility of administering the healthcare law, be prepared to have to call back numerous times or at the very least be put on hold each time you try to contact the IRS.

Another implication is that the IRS will have to channel its personnel to handle the administration of the healthcare bill, taking away manpower from handling other important IRS tasks like going after tax cheats or reviewing complex tax-avoidance schemes like offshore accounts etc. This might increase the odds of tax dodgers getting away with their attempts to hide their money from Uncle Sam.

One more thing that would very likely happen is the overloading of the IRS computers in coping with the increased healthcare related data. As it stands, the IRS computers are already in a sorry state.

One last implication is that administering the healthcare provisions will further weaken the IRS ability to administer other social programs effectively. One example is the Earned Income Tax Credit (EITC) that provides tax rebates to the lower income earners. The IRS has found it

difficult to administer this credit correctly. In the latest analysis from 2006, about \$10 billion to \$12 billion EITC payments were made in error by the IRS.

But IRS officials argue that the healthcare requirements give little incentive to cheat because the health insurance subsidies will be channeled to insurance companies, not individuals. Currently, taxpayers with incomes of up to four times the poverty level —\$43,320 each for individuals and \$88,200 for a family of four — would qualify for health insurance subsidies.

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.