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2007 Audits, Enforcement Revenue Up for IRS

The IRS's years-long trend of getting more and more aggressive with taxpayers continued in FY2007. Tax enforcement revenue reached \$59.2 billion

The numbers are in, taxpayers.

For those who questioned whether the IRS could continue its years-long trend of increasing audits with more vigilant enforcement, the numbers released for fiscal year 2007 show the tax-collecting means business.

During 2007, the IRS audited 84 percent more returns of individuals with incomes of \$1 million or more than during 2006. Overall, enforcement revenue reached \$59.2 billion, up from \$48.7 billion in 2006 and nearly \$34.1 billion in 2002.

Audits in 2007 increased for the wealthy as well as for average taxpayers:

- Audits of individuals with incomes of \$1 million or more increased from 17,015 during fiscal year 2006 to 31,382 during fiscal year 2007. One out of 11 individuals with incomes of \$1 million or more faced an audit in 2007.
- The total individual returns audited increased by 7 percent to 1,384,563 in 2007 from 1,293,681 in 2006. That's the highest number since 1998.
- Audits of individuals with incomes of more than \$200,000 reached 113,105 returns, up 29.2 percent from the prior year total of 87,885.
- The IRS increased audits of individual returns with income of \$100,000 or more, auditing 293,188 of these returns in 2007, up 13.7 percent from last year's total of 257,851.
- The IRS filed 3.8 million levies and almost 700,000 liens during 2007, an increase from the previous year and a substantial increase from five years earlier.

This trend didn't affect just individual taxpayers:

- Audits of companies run as S-corporations — which are often abused since they allow untaxed business income to flow through to individual proprietors — were up 26 percent to 17,681.
- Audits of partnerships increased almost 25 percent to 12,195.
- Audits of mid-market corporations increased 6 percent to 4,473.
- Audits of businesses in general rose 14 percent to 59,516.
- Although the audits of large corporations dipped slightly in 2007 to 9,644 audits, the number of audits is up 14 percent from the fiscal year 2002 level.

These numbers should be a wake-up call for those taxpayers who, despite years of media reports indicating the IRS's increasingly aggressive stance, continue to evade taxes by improperly writing off personal expenses to businesses, underreporting income, or using offshore trusts to conceal income.

The IRS has indicated this trend will continue until the United States comes into greater tax compliance.

Is it finally time for you to see a tax professional?

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