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FY2008 Tax Enforcement Numbers Show Vigilance

Though slightly down from 2007, tax enforcement number in 2008 were among the highest in a decade.

The large number of tax evasion and audit cases you're hearing about today isn't a symptom of yellow journalism.

In fact, the fiscal-year 2008 tax enforcement numbers released by the Internal Revenue Service are among the highest in a decade.

In fiscal-year 2008, the IRS collected \$56.4 billion through collection, examination and document-matching efforts. That figure is a slight decrease from 2007's \$59.2 billion but a dramatic increase from 1999, when the government had \$32.9 billion in enforcement collections.

But the most dramatic figure in the recent numbers comes in the staffing column. Even as the IRS collected nearly twice as much last year as it did in 1999, the agency accomplished this with fewer enforcement staff members — 20,722 in 2008, compared to 22,543 in 2007 — suggesting the government is becoming more efficient even as it becomes more aggressive.

Last year, the IRS stepped up its investigations of offshore accounts used to hide income and evade taxes. The agency has begun to examine these accounts — and the taxpayers who use them — using the same tools criminal investigators use in looking at those headline-grabbing cases you see in the newspapers.

In fact, these days, IRS agents are doing more than just following the money. They're building sources.

"Using informants is another part of our toolkit," IRS Commissioner Douglas Shulman said during a December tax conference.

"Since the inception of the Whistleblower Office in 2007, the IRS has received hundreds of tips on financial institutions and individuals with foreign

accounts and international compliance issues. Some of these have become big money cases.

"Dozens of these tips involve the names of individuals with offshore accounts; others involve the names and practices of financial institutions in those countries that typically have strict bank secrecy laws.

"And keep in mind the value here is far greater than just the names of specific individuals," Schulman continued. "With work, these tips provide the information the IRS needs to pursue John Doe summonses — our next important tool.

"The IRS generally uses the John Doe summons authority to identify individuals, groups or classes of US taxpayers whose member identities are unknown, who are involved in specific areas of tax noncompliance and who cannot be identified through other means."

For taxpayers, the implications of these recently released numbers and Commissioner Schulman's statements are obvious: The IRS is doing everything and anything it can in its considerable power to investigate and curb tax evasion, from simple audits to examinations of complex, multinational tax shelter programs.

This situation isn't likely to change. With the economy down and tax revenues decreased, Uncle Sam's tax-collecting agency is going to take every step it can to collect what's due. Be warned.

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