

Criminal Defense and Government Investigations Alert | IRS Will Focus On High-Income Targets

CRIMINAL DEFENSE AND GOVERNMENT INVESTIGATIONS ALERT

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On January 12, 2024, the Internal Revenue Service announced increased efforts to focus on high-income individuals, large corporations and complex partnerships as a way to “reverse the historic low audit rates and limited focus that the wealthiest individuals and organizations faced.” Using funds made available through the Inflation Reduction Act of 2022, the IRS will be using “improved technology” as well as “Artificial Intelligence” to better detect tax cheating, identify emerging compliance threats and improve case selection tools to avoid burdening taxpayers with needless, “no-change” audits. It is not entirely clear how much income is “high-income” according to the IRS. However, in a September 2023 news release, the IRS stated that it will “ensure audit rates do not increase for those earning less than \$400,000 a year.”

Among the intended targets of the IRS are large partnerships, including hedge funds, real estate investment partnerships, large law firms, and other industries. The IRS said it had identified ongoing discrepancies on balance sheets, which is an indicator or potential non-compliance, and that, as of December 2023, it had open examinations on 76 of the largest partnerships in the U.S., that averaged more than \$10 billion in assets each. As it tries to be more efficient, the IRS is using machine learning technology and data mining to identify the most likely perpetrators of tax evasion and tax fraud.

Additional information can be found on the IRS website at

<https://www.irs.gov/newsroom/irs-ramps-up-new-initiatives-using-inflation-reduction-act-funding-to-ensure-complex-partnerships-large-corporations-pay-taxes-owed-continues-to-close-millionaire-tax-debt-cases>.

If you have any questions about this IRS initiative, or are the subject of a tax investigation, please feel free to contact our office. Riz Dagli, a former prosecutor with the New Jersey Office of the Attorney General, is Chair of our firm’s Criminal Defense and

Government Investigations Practice Area, and represents individuals, partnerships, and corporations in tax evasion and tax fraud investigations in federal and state court.

For more information or assistance, please contact:

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