



Compliance Priorities and Initiatives

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Principles of IRS Strategy

- Use balanced approach of service and enforcement efforts
- Decrease unintentional errors through education
- Strengthen enforcement efforts against non-compliant taxpayers
- Target identified non-compliance areas to reduce evasion opportunities
- Ensure respect of taxpayer rights



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Priorities

- Increasing audit coverage
- Addressing abusive transactions, promoters and participants
- Addressing unreported income
- Focusing on high income non-filers

Audit Coverage

- Individual audits at highest level since 1998
- Audits of income over \$200,000 up almost 30% over last year
- Flow-thru entity audits up over 25% over last year

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Abusive Transactions

- Any arrangement, directly or indirectly, which:
 - Promises tax benefits not allowed by law
 - Makes false statements about tax benefits
 - Manipulates potential ambiguities of law
 - Sets up sham arrangements
- Lead Development Center aids oversight of:
 - Civil injunctions against scheme promoters and abusive preparers
 - Ongoing promoter investigations
 - Participant audits

Dirty Dozen

- What are the most common scams?
 - Frivolous Arguments
 - Fuel Tax Credit Scams
 - Hiding Income Offshore
 - Return Preparer Fraud
 - Misuse of Trusts
- What is the IRS doing to combat them?
 - Civil and criminal enforcement efforts
- How to report a suspected fraud

Unreported Income

- Unreported income represents largest component of tax gap
- Increasing emphasis on Schedule C filers
- Using a systematic approach to identify returns at high-risk for unreported income

High Income Non-Filers

- SB/SE Examination High income non-filer cases have potential unreported income greater than \$100,000
- High Income non-filer cases are primarily identified through
 - Collection referrals
 - Research filters

Service-wide Nonfiler Strategy

- Improving practices to help taxpayers meet filing requirements
- Evaluating case selection criteria
- Selecting cases with potential for decreasing the nonfiler population
- Ensuring fairness by proactively addressing those who do not file timely

Nonfiler Strategy Goals

- Help taxpayers understand and meet their filing obligations
- Improve voluntary compliance by reducing taxpayer burden
- Leverage technology to identify nonfilers
- Effectively use enforcement resources to deter nonfilers

National Research Program

- Measures reporting compliance
- Identifies compliance issues
- Improves audit selection
- Updates:
 - 1120S NRP study
 - Individual NRP study
 - Upcoming NRP studies

More Information on IRS.gov

- Small Business Tax Workshop DVD
- Small Business Resource Guide CD-ROM
- Tax Talk Today
- e-News for Tax Professionals
- e-News for Small Businesses
- IRS Phone Forums



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