

News & Insights

Hall Estill Tax Group - IRS Plans Increased Audits of High Net Worth Individuals

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Douglas O'Donnell, commissioner of the Internal Revenue Service's ("IRS") Large Business and International Division ("LB&I"), announced on June 18, 2020 that the LB&I Global High Wealth Industry Group ("GHW") would begin a new campaign to audit hundreds of high net worth individuals. The announcement followed a Treasury Inspector General for Tax Administration ("TIGTA") report, from May 29, 2020, that found the IRS had failed to adequately address high income non-filers, finding that high income non-filers owed an estimated \$45.7 billion in taxes for the 2014 through 2016 tax years.

The planned GHW audits will take a holistic approach, focusing on taxpayers' individual returns and also on the entities controlled by the taxpayer, including partnerships, trusts, and private foundations. Audits will also review taxpayers' foreign assets, including foreign bank accounts; offshore retirement accounts; foreign trusts; business interests in entities holding foreign accounts; and overseas inheritances.

The term "high net worth" is not a well-defined category, but the TIGTA report focused on tax returns with more than \$100,000 in tax due. The audits could impact tax years as far back as 2014 for high net worth individuals who failed to file a tax return, and as far back as 2017 for those that did.

High net worth individuals who are concerned that this audit campaign could impact them should reach out to a tax professional. Those individuals who have failed to file a return, should discuss with an attorney the best measures to take to become compliant. Those taxpayers that used aggressive tax planning or have underreported income on their returns, should seek an independent review of their filing position, and obtain recommendations on measures to mitigate risk of large adjustments and penalties on audit.

If you have any questions, please contact your Hall Estill tax attorney today.