UT LAW CLE

68th Annual Taxation Conference

December 3, 2020

IRS EMPHASIS ON TAX FRAUD ENFORCEMENT



Presented By:

Joel N. Crouch, J.D.

Board Certified in Tax Law by the
Texas Board of Legal Specialization

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MEADOWS COLLIER

MEADOWS, COLLIER, REED, COUSINS, CROUCH & UNGERMAN, L.L.P.

901 Main Street, Suite 3700
Dallas, TX 75202
214.744.3700 800.451.0093
fax 214.747.3732
jcrouch@meadowscollier.com
www.meadowscollier.com

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IRS Commissioner Charles Rettig

- "You should expect this commissioner to encourage people in the Internal Revenue Service to look with a skeptical look at the people who actually think the tax return is in some nature an offer to negotiate. A tax return is not an offer to negotiate. A tax return is signed under penalty of perjury. Often it's prepared by a preparer who has extensive experience. I understand you rely on the information the taxpayer provides, but you have to have some reasonable basis to rely on that information."
- "Don't read and think the IRS is resource challenged and therefore they're not going to get to me. When we get to you, we've got you, the taxpayer. That's how I was brought up as a tax lawyer, and I think that's how everybody should actually focus in terms of going forward. When the IRS gets there, they're going to get there."

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IRS Personnel

- IRS Commissioner Charles Rettig
- Damon Rowe, Esq., Executive Director, Fraud Enforcement Office, Small Business and Self-Employed Division, Internal Revenue Service
- Carolyn Schenck, National Fraud Counsel
- Brendan O'Dell, Esq., Promoter Investigations Coordinator, Office of the Deputy Commissioner, Services and Enforcement, Internal Revenue Service
- Eric Hylton, Commissioner, Small Business/Self-Employed Division, Internal Revenue Service
- Jim Lee, Chief of IRS Criminal Investigations

IRS Using Data Analytics and AI

- In 2011, the IRS created the Office of Compliance Analytics
  - I.R.M. 1.1.1.4(5): "Office of Compliance Analytics (OCA) partners throughout the IRS and beyond to both develop and accelerate strategic data-driven compliance initiatives as well as strengthen the Services' analytic problem-solving capability."
- IRS is upping its data analytics and artificial intelligence game
  - Data mining to analyze large data sets ("big data")
- IRS hopes to use big data mining and complex models to predict behaviors
  - Utilizing same types of sophisticated models that track and combat credit card fraud
- IRS is using data analysis and the "robo-auditor" to further investigative leads and efforts given the reduced human staff

IRS Using Data Analytics and AI

- IRS has expanded its data gathering to public commercial data:
  - Social Media — IRS may be using spiders to analyze your social media posts
  - Credit Reports
  - Credit/debit card processors
  - eBay/PayPal
  - Public filings
- IRS analyzing information from:
  - Prior year tax returns and information returns
  - Data gathered from third party sources (offshore and cryptocurrency summons information)
  - IRS proprietary databases

Common Badges of Fraud

- Understating income
- Maintaining inadequate records
- Giving implausible or inconsistent explanations of behavior
- Concealing income or assets
- Failing to cooperate with tax authorities
- Engaging in illegal activities
- Providing incomplete or misleading information to one's tax preparer
- Giving testimony that lacks credibility
- Filing false documents, including filing false income tax returns
- Failing to file tax returns
- Dealing in cash

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First appeared as part of the conference materials for the
68th Annual Taxation Conference session
"IRS Emphasis on Tax Fraud Enforcement"