

South Florida Hospital NewsTM

Volume 9 • Issue 1 • \$5.00 July 2012

What Are Your Chances of Being Audited By the IRS?

The Internal Revenue Service (IRS) has issued its annual Data Book which provides statistical data on its fiscal year 2011 activities.

Of the 140,837,499 individual income tax returns filed during fiscal year ended 2011, 1,564,690 (or 1%) were audited, which is roughly the same percentage as the prior year.

Of those audited, 31% were for tax returns that claimed the earned income tax audit (EITC) which is available to low-income individuals with qualifying children.

Examination rates go up as income increases as shown in the following table:

% Being Audited	Income Level
1.0%	\$100,000 - \$200,000
2.7%	\$200,000 - \$500,000
11.8%	\$1,000,000 - \$5,000,000

Roughly 25% of the IRS audits were conducted in person by revenue agents, tax compliance officers, tax examiners and revenue office examiners. The remaining 75% of the audits were con-



BY JEFFREY B. KRAMER,
CPA

ducted via correspondence letters.

During fiscal year 2011, the IRS assessed 28.75 million civil penalties against individual taxpayers. Of those, 58.6% received "failure to pay" penalties, 25.6% received "underpayment of tax" penalties and 13% received "filing delinquency" penalties.

The IRS initiated 4,720 criminal investigations in 2011. Of those, 3,410 resulted in referrals for prosecution with 2,350 convictions. Of those sentenced, 82% were incarcerated.

The take away from this data is that low income tax payers claiming the EITC and high earners with income exceeding \$1,000,000 are most likely to be audited. Of those being audited, most will be conducted via correspondence letter audits. Very few audits result in criminal investigations; however, once an investigation is initiated, 69% result in convictions.

Jeffrey B. Kramer, CPA, Partner, Goldstein Schechter Koch, can be reached at (954) 989-7462 ext. 427 or jeff.kramer@gskcpas.com. For more information, visit www.gskcpas.com.