



IRS Continues Increase in Audit Rates

IRS Commissioner Mark Everson is determined to bridge the \$250 billion-a-year gap between what taxpayers owe and what the IRS collects. What that means for you is that the number of audits the IRS conducts is rising as the IRS becomes more determined to oust tax cheats and compel people to comply with tax laws.

In 2003, the IRS audited 849,296 households, or about 0.65 percent. The IRS concentrated on individuals and couples making more than \$100,000, with special emphasis on those with incomes of more than \$250,000. For those with higher incomes, the audit rate was a little higher—about 1.06 percent, a 24 percent increase from 2002. Still, the overall audit rate remained fairly low, with about one in every 154 taxpayers being audited, a 14 percent increase from 2002, when one in every 174 taxpayers was audited.

The number of audits that the IRS performs is expected to continue to rise.

The Bush Administration has proposed a bigger IRS budget for 2005, calling for \$1.7 billion dollars, a \$590 million increase from 2004. The 2005 budget calls for the allocation of \$300 million for the enforcement of tax laws, including abusive tax shelters, trusts, and offshore accounts, underreporting of income tax or tax return non-filing, and failure to report wage income or pay employment taxes.

The 2005 budget would also allow for the hiring of 5,000 new auditors, tax collectors, and criminal investigators. The allocation of more money and the hiring of more employees mean that auditing rates are likely to continue to rise, and a visit from the IRS is becoming a greater possibility.

Dealing with an audit can be complicated and frustrating, but the professionals at **Kemper CPA Group LLP** are ready to help you each step of the way and can help you ensure that you're only paying the taxes you owe. **Contact us today!**