

IRS to hire 87,000 agents! You've probably heard this by now and it is being commented on by many people with differing agendas. Some of the details are being highlighted, and some swept under the rug. I want to talk about how this applies to you and me.

First, let's make a few connections about what is happening in the IRS landscape. Have you tried to call the IRS anytime since COVID became a part of our world? If so, you were incredibly unlikely to have been able to speak with an agent. Estimates from the Washington Post and NY Post indicate that the IRS has been staffed to only pick up 10-20% of calls. There is a "practitioner phone line" for CPAs and Enrolled Agents to call the IRS directly and not sit in the same line as a taxpayer. That line went radio silent all the way back in March of 2020.

It is pretty well known in the accounting world that the number of audits had decreased in the last decade (<https://trac.syr.edu/tracirs/latest/679/#:~:text=IRS%20accomplished%20over%20650%20thousand,these%20letters%20through%20the%20mail.>). The number of audits had been decreasing before COVID, but COVID increased the ratio of "correspondence audits." A correspondence audit is when you are sent a letter by the IRS asking for confirmation of certain information by submitting documents. Next you are in a back-and-forth letter writing process with very long wait times in between. I've seen quite a few people in the last two years that have received some correspondence from the IRS asking for proof that they are the rightful parent to claim a child for a credit or credits. They end up in a process that takes months submitting information to get the IRS to prove that they have the rightful position to claim their own child. This even happens after someone has claimed the same child on their tax return for over a decade with no issue.

As of June of 2022, the IRS was approximately 11 million returns behind (<https://www.cnbc.com/2022/06/22/irs-making-progress-on-backlog-but-millions-remain-unprocessed.html>). Each of the last two tax seasons the IRS has still been backlogged with returns from the prior seasons. No matter the number of potential contributing factors, staffing is obviously an issue.

My main point here is that the hiring of additional agents can be a double-edged sword. For taxpayers that are stuck in the purgatory of correspondence with the IRS, their situation can be sped up and hopefully get money back to them more rapidly. For taxpayers that have been rolling the dice from a reporting standpoint on their tax returns, there is a higher likelihood that they will face scrutiny for things they have or have not reported.

My main recommendations are to right the ship for anyone that has been lax on their reporting. If you're part of the almost 40% of Americans that operate their own business, a side-hustle, or deliver for GrubHub or DoorDash, now is the time that you get your bookkeeping and tax returns cleaned up. There are not many worse feelings than those that come when you are having your reporting and bookkeeping scrutinized, and you don't have clean records of what happened. Now is the time to get things right.

If you're wanting to get ahead of this potential wave, or are interested in working up a preventative tax plan to lower your tax liability, please reach out by phone or email and "Let's have a CHAT!"