

IRS Targets High-Income Taxpayers and S Corp's

One out of 11 individuals with an income of \$1 million or more faced an audit in fiscal year 2007, when the number of audits for these high-income taxpayers increased 84%, from 17,015 in 2006 to 31,382.

Overall, audits of individual returns rose by 7% from 1,293,681 in 2006 to 1,384,563, the highest number since 1998.

When it comes to business enforcement efforts, the IRS focused on the returns of flow-through entities – S Corporations and Partnerships. Audits of these businesses increased by 26% and 25%, respectively, from 2006 levels, while audits of large corporations were down slightly.

The Service said that as its enforcement budget remained flat from 2006 to 2007, it could not increase audit activity across the board and therefore addressed areas where there was growth and potential risk.