

CLIENT ALERT

IRS Continues to Boost Enforcement Efforts with New Promotor Investigation Office

Apr. 26. 2021

The Internal Revenue Service (IRS) announced on April 19th the launch of the new Office of Promoter Investigations (OPI) aimed at enforcement against promoters of abusive tax transactions, such as syndicated conservation easements and micro-captive insurance schemes, and expanding on the work the promoter investigations coordinator has been pursuing for the past year. The new office is part of the IRS's Small Business and Self-Employed Division (SB/SE) and will be led by acting director Lois Deitrich, an IRS exam official with over 20 years of experience. Although the office is housed within SB/SE, it will coordinate promoter investigations throughout all IRS business units, including Criminal Investigation and the Office of Fraud Enforcement.

The agency also recently announced a dedicated team of IRS Criminal Investigation employees working on "Operation Hidden Treasure," focused on cryptocurrency and virtual currency tracking. Last year, the IRS added a new campaign led by the IRS's "Wealth Squad" targeted towards audits of high net worth individuals and their related entities and the creation of a new Fraud Enforcement Office.

The establishment of the OPI comes on the heels of President Biden's discretionary funding request for Fiscal Year 2022, which includes over \$1 billion in proposed funding for the IRS to support increased tax enforcement focused on high-earning individuals and corporations. In addition, two House Democrats recently introduced bills to ramp up the IRS's funding and mandate minimum audit levels for high-income individuals and corporations.

These efforts all seek to reduce the annual tax gap between what taxpayers owe and what they actually pay on time, which Commissioner Charles Rettig recently said could be over \$1 trillion annually. Closing the tax gap through increased resources for IRS enforcement fits with President Biden's campaign promise that corporations and high net worth individuals will "pay their fair share." With these new offices and campaigns, and the large potential increase in funding, taxpayers should expect increase in audit activity and increased coordination between civil and criminal investigations.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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