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IRS Criminal Investigations On Rise

As the IRS offshore bank account amnesty program called OVDI comes to a close (see [Mailing Is Not Enough For Sept. 9 OVDI Deadline](#)), some taxpayers who still have undisclosed foreign bank accounts or other tax secrets may be hoping to remain undetected. But in this increasingly transparent modern world, you may wonder if flying beneath the radar is possible. See [Latest Foreign Account Prosecution Fuels Fears](#). The IRS is a vast and imposing agency, and part of it is [criminal](#) not civil.



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Even without criminal tax exposure, civil tax penalties can be high. If the IRS finds your argument or tax position frivolous, it can mean a 20% accuracy-related penalty (Internal Revenue Code [Section 6662](#)); and a whopping 75% civil fraud penalty ([Section 6663](#)). If you take a position deemed frivolous on an amended return asking for money back, you can also be hit with a 20% erroneous claim for refund penalty ([Section 6676](#)). Plus, if you file your return late including frivolous positions, the usual penalties for fraudulent failure to timely file an income tax return can be **tripled** up to **another** whopping 75% ([Section 6651\(f\)](#)).

But criminal exposure can make these civil penalties look like child's-play. Special considerations apply in criminal tax cases. See [When IRS Criminal Agents Come Calling](#). The Criminal Investigation Division of the IRS—many just call it “CID”—is discreet. Like the FBI, the IRS's CID uses “Special Agent” terminology.

While there's much the Criminal Investigation Division does beyond looking at foreign bank accounts, there's an understandable myopia now among many U.S. taxpayers. Meanwhile, some recent stats show that the IRS CID is doing a bang-up job of investigating and prosecuting tax cases. The latest report comes from the Treasury watchdog called the Treasury Inspector General for Tax Administration ([TIGTA](#)). It is often critical of the IRS, but there's little criticism in this report. In fact, the report suggests CID has made gains in 2010 even surpassing their own goals. [Read the report](#).

Here are some findings for the 2010 fiscal year:

- CID spent 71.2 percent of its time on total tax investigations, 52.6 percent of that time devoted to legal-source tax investigations.
- CID increased its legal source tax investigation initiations by 12.3 percent.
- CID increased its tax-related initiations by 10.6 percent.
- CID increased its conviction rate by 6.9% from 2009 to 2010 and by 22.6 percent since 2006.
- CID's goal was to complete 3,900 investigations but it actually completed 4,325.
- CID reduced the average days to complete an investigation by 8.8% to 365 days, down from 401 days.
- CID's goal was to initiate 4,000 subject investigations but it actually initiated 4,706.

See more Criminal Enforcement Statistical Data [here](#). See also:

[Dear Lawyers: Get Ready For IRS Audits!](#)

[Employers Who Violate Tax Law May Go To Jail](#)

[More Tax Defenses: "I Forgot!"](#)

[Tax Defense: "I Have ADD"](#)

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