

The IRS has announced its Criminal Investigation Annual Business Plan for FY2010. This year's plan is part of the IRS' larger 5 year strategic plan for 2009 - 2013. Those of us who are baby boomers remember the then Soviet Union's "5 year plans." Like the IRS strategic plan, those plans were big on goals but often came up short on results.

Will the IRS be more successful this year? Maybe not but it still pays to know where the guys and girls with guns and calculators will be focussing their efforts this year.

Many of the items on the IRS' list are perennial favorites such as "abusive tax schemes," "non-filers," and corporate fraud. Those types of activities will always draw the attention of the IRS. Of more interest are new additions to the list and the Service's top listed priority.

Number 1 on their list for this year is "International Tax Fraud." The Service plans to develop a comprehensive strategy this year to combat offshore tax evasion. This is a reflection of the current administration's drive to rout out unreported offshore accounts and income. Since the economy collapsed in 2008, prosecutors and regulators have focussed much of their attention at offshore tax havens. Expect tougher reporting requirements and continued pressure on banks and hedge funds located in tax havens such as Switzerland, the Caymans, and Monaco to disclose the identities of U.S. account holders.

Specifically, IRS is creating suspicious activity reports review teams and teams to seek records from foreign banks and hedge funds. This means more UBS type litigation where US prosecutors seek to access the identities of U.S. accountholders.

The Obama administration's focus on national health care has not escaped notice by the IRS. This year the Service has announced that they will be working with other agencies participating in the National Health Care Anti-Fraud Association to combat fraud and abuse in health care.

The IRS is also continuing to focus on cooperative investigations with the FBI Mortgage Fraud Task Force. This joint initiative is now in its second year and continues to be a priority.

New this year is an increased focus in asset forfeiture. Historically, IRS CID has focussed on getting convictions in criminal tax cases. The civil side of IRS would then step in to collect unpaid taxes, interest and penalties. Now, the IRS has announced that CID personnel will seek to forfeit assets of criminals. Potentially, that means collection activities will begin much sooner and that defendants will have less available money to retain counsel and competent tax professionals.

Buried in the plan is language indicating the Service will expand its parallel criminal and civil investigations. This has created a legal mine field for taxpayers

and their accountants who must now worry that everything they provide to auditors will be provided to CID investigators.

Other topics of interest this year to CI include offshore employee leasing, reinsurance schemes, foreign and domestic trusts, warehouse banking and "egregious employment tax cases."

MahanyLaw defends the liberty of those charged with white-collar criminal offenses including tax evasion. See our blog at mahanylaw.com for more interesting stories or contact principal Brian Mahany through the MahanyLaw website.