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Special IRS Audits Target Wealthy Elite



The IRS is trolling for compliance glitches with wealthy taxpayers. Various referred to as the Wealth Squad, Rich Squad or High Net Worth group, whatever you call this new IRS task force, it's trouble for elite taxpayers. For one, it's part of the IRS's [Large Business and International Division](#).

That says a lot, since auditors in this group are trained to ferret out data from large and sophisticated businesses. Now they're using those big guns on individuals. See [Richie Rich Tax Audits](#). That means the IRS will ask huge numbers of questions and want documentation for virtually everything, easily overwhelming even wealthy taxpayers. After all, almost no one has a big tax staff the way a major corporation does.

Rich Squad audits only date from 2009, so there's little track record to report. But those undergoing a Rich Squad audit would rather be somewhere else. Discussions about them are springing up, such as this [webcast](#).

How Rich is Rich? Just how rich you have to be to get targeted? Generally more than \$10 million in assets. Assets and income are different—a business might have over \$10 million in assets, but only a fraction of that in annual income. That applies to individuals too.

Judging from other taxpayers monitored by the IRS's [Large Business and International Division](#), the Rich Squad is not dealing primarily with people who simply have a large [Form 1040](#) and nothing more. Their focus is not so much with high income (say a high wage earner) as with complicated structures of business entities, trusts and assets.

In fact, there's a reason the Rich Squad germinated in the fertile soil of the IRS's Large Business and International Division. They are adept at dealing with complex business and investment entity structures used by wealthy people. Rich Squad audits take into account the range of assets and entities across the family group.

But audit rates are low no matter what your income. According to the IRS [2010 Data Book](#), if you had non-business income of \$200,000 to \$1 million, you had a 2.5% chance of audit. That chance increased to 2.9% if your return showed business activity. But audit rates for top earners are climbing.

However, if your income tops \$1 million, the 2010 audit rate was 8.4%, up from 6.4% in 2009, and only 4% in 2008. That is a significant shift and ties in with the notion that the rich need special—and not always discriminatorily positive—handling.

There's Rich and There's REALLY Rich. If your income is in the \$5 million to \$10 million range, the audit rate exceeds 11%, a steep increase from only 6% in 2008.

For more, see:

[IRS 'Wealth Squads' On The Way](#)

[Is the New IRS Wealth Squad Coming for You?](#)

[Is The IRS's Wealth Squad Working?](#)

[IRS Global High Wealth Taxpayer Program Lags](#)

[How the IRS Is Probing the Rich](#)

[How to Speak 'IRS' Language During an Audit](#)

[What to Expect and How to be Prepared for an Audit](#)

[Avoid IRS Audit Triggers](#)

[IRS Audit Risk If You're "Rich"](#)

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