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## IRS Increases Audits of Millionaires, Small Businesses

By JIM ABRAMS (Associated Press Writer)

Nov. 22, 2006 (Associated Press) — WASHINGTON - A taxpayer who made more than \$1 million had a one-in-16 chance of being audited by the IRS in the fiscal year just ended, up slightly from the year before.

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Commissioner Mark Everson said in a telephone news conference Monday that the Internal Revenue Service also paid more attention to the filings of small businesses that tend to underreport incomes and to the records of tax-exempt organizations.

Overall, enforcement revenues for fiscal 2006 were \$48.7 billion, up 3 percent from \$47.3 billion. Revenues in fiscal 2005 had jumped 10 percent because of collections from a crackdown on improper tax shelters.

"We have restored the credibility of our enforcement programs which were badly diminished and to some degree gutted" in the 1990s, Everson said.

The "tax gap," the difference between what taxpayers owe and what is collected, has been estimated as \$345 billion annually, and Democrats coming to power in Congress see closing this gap as an important way to raise revenues without raising taxes.

Everson said that audits of individuals making \$1 million or more increased to 17,015 from 12,835, up by one-third. That was an increase only from 6.1 percent to 6.3 percent because of the growing number of millionaires. About 1 percent of all taxpayers face audits.

Audits of people with incomes surpassing \$100,000 were up 18 percent, to 257,000. Total audits increased 6 percent, to almost 1.3 million.

Everson said there was also a one-third increase in audits of S corporations, to almost 14,000. An S corporation is generally a small business in which business profits "pass through" to the owners, who report them on their personal tax returns.

He said the IRS had added resources to its tracking of charitable and tax-exempt organizations, with audits up 43 percent to 7,000. Without verifying the integrity of these groups, "Americans will lose faith in charities," he said.

Everson said collections from a controversial program to contract with private debt collectors, which started in September, were negligible, about \$500,000.

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