

IRS Increases Tax Enforcement in Response to Budget Deficits *President Obama's Proposed Budget Provides for a "Robust Set of New Revenue-Generating Enforcement Initiatives"*

The IRS has publicly announced an increase in audits and compliance checks in an attempt to raise revenues for the federal government. IRS audits are not limited to large, multinational corporations; small businesses and nonprofit organizations have recently become a target. The IRS has publicly stated that certain tax avoidance practices by businesses will undergo heightened scrutiny. Some of these practices include:

- Misclassifying employees as independent contractors to avoid employer payroll taxes
- Paying employees in cash
- Failing to withhold tax from employees and remit to the IRS
- Filing false payroll tax returns
- Neglecting to withhold tax on cross-border transactions
- Failing to report all items of executive compensation
- Failing to report taxable fringe benefits

Further, various proposals have been presented by members of Congress which would increase the powers of the IRS and limit certain defenses currently available to business owners. Aside from the costs associated with undergoing IRS scrutiny, the IRS can impose civil and criminal penalties for failure to comply with the tax law.

Stevens & Lee Attorneys and Consultants assist business owners in resolving tax controversies with the IRS. We also assist taxpayers with tax planning and compliance verification to minimize the likelihood of audit and assessment. If you have been contacted by the IRS or have questions regarding compliance with the tax law, please contact your Stevens & Lee attorney. Stevens & Lee can guide your business through this period of heightened tax enforcement.

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