

GMS Flash Alert

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United States – High-Income Taxpayers Under IRS Scrutiny Says 2023 Data Book

The U.S. Internal Revenue Service (the “IRS”) released its “2023 Data Book” on April 18, 2024, an annual publication which details the IRS’s activities during fiscal year 2023.¹ The 2023 Data Book provides IRS compliance statistics for fiscal year 2023 (October 1, 2022, through September 30, 2023), and details the initial impacts of the increased funding provided under the *Inflation Reduction Act of 2022* (“IRA”) on IRS operations².

WHY THIS MATTERS

The IRS has intensified its enforcement and collections efforts, particularly targeting high-income and high-wealth (HIHW) individuals.³ Many globally-mobile employees fall into this HIHW category. With the implementation of various compliance initiatives specifically targeting HIHW individuals, made possible by the increased funding from the IRA, many assignees within the HIHW category are likely to experience heightened scrutiny.

The 2023 Data Book underscores the IRS’s growing focus on enforcing tax compliance among HIHW individuals. Thus, it is advisable for these individuals to exercise due diligence by maintaining comprehensive records and documentation in anticipation for potential audits.

The 2023 Data Book

According to the 2023 Data Book, the IRS collected approximately \$4.7 trillion in revenue and processed more than 271.4 million tax returns and other forms in the fiscal year 2023. This includes 163.1 million individual tax returns.

The IRS had a high rate of examination of HIHW individuals, examining 8.7 percent of taxpayers filing individual tax returns reporting total positive income of \$10 million or more for tax years 2013 through 2021. This rate of audit for high-wealth individuals is significantly higher than the overall rate of individual audits, which stood at 0.44 percent of individual returns filed for tax years 2013 through 2021.

There was no increase in the audit rate for taxpayers earning under \$400,000 per year in the fiscal year 2023.

The IRS also:

- closed 582,944 tax return audits, resulting in \$31.9 billion in recommended additional tax;
- issued \$659 million in refunds, a 2.7 percent increase over FY 2022;
- expanded its workforce by 5 percent by hiring 5,800 new employees, resulting in increased efficiencies and improved taxpayer experience;
- launched a free tax return filing program, Direct File, in 12 states in 2024;
- opened/reopened more than 50 taxpayer assistance centers were in the fiscal year 2023.

KPMG INSIGHTS

Additionally, as part of a broader compliance effort, the IRS began issuing compliance alerts for failure to file a tax return beginning with the filers in the highest-income categories in 2024.⁴ The IRS plans on implementing further enforcement actions for noncompliant taxpayers.

If taxpayers have received such an alert, it is advisable to consult with a qualified tax professional or your local KPMG contact.

FOOTNOTES:

1 See [IR-2024-115](#).

2 For prior coverage of the IRA, see [GMS Flash Alert 2022-150](#) (August 22, 2022).

3 See IR-2024-115; [GMS Flash Alert 2023-171](#) (September 12, 2023). Also see see "[Anticipated Increase in IRS Enforcement Activity with Inflation Reduction Act Funding](#)" (November 2023) published in *Mobility Matters*, an online publication of KPMG LLP (U.S.).

4 See [IR-2024-56](#).

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