



High-Income Nonfilers Owing Billions of Dollars Are Not Being Worked by the Internal Revenue Service

Recommendation 3: Prioritize nonfilers so that the IMF CCNIP is not paused in the future and develop a nonfiler strategy that ensures that delinquency notices are issued to all high-income nonfilers so, at a minimum, these cases will be entered into the inventory stream.

Management's Response: The IRS agreed with this recommendation. The IRS stated that it does not plan to pause the IMF CCNIP in the future, absent unusual circumstances.

Recommendation 4: Analyze the population of TY 2014 through 2016 high-income nonfilers and issue notices to those high-income nonfilers identified during this review as never being placed into TDI inventory or closed out of TDI inventory without being worked. In addition, consider working the top 100 nonfiler cases identified from TYs 2014 through 2016 that have not been resolved by referring the cases to the Collection function, the Examination function, or Criminal Investigation special agents for enforcement action.

Management's Response: The IRS partially agreed to this recommendation. The IRS stated that all high-income nonfilers for TYs 2016 through 2018 were selected, and the IRS plans to continue to select all high-income nonfilers in the future.

Office of Audit Comment: Although the IRS stated it selected all high-income nonfilers for TYs 2016 through 2018, it does not mention addressing the two prior years, TY 2014 and TY 2015, or the top 100 high-income nonfilers that were identified. Identifying high-income nonfilers is an important first step in the compliance process. Taking enforcement action, *i.e.*, assigning the case to a revenue officer, revenue agent, or special agent, is the next important step. We provided the IRS a list of the top 100 high-income nonfilers by name who owe an estimated \$9.9 billion. The IRS should at a minimum agree to pursue these 100 high-income nonfilers. However, its response does not indicate whether it plans to pursue these.

Recommendation 5: Reconsider working multiple tax year cases for all high-income nonfilers.

Management's Response: The IRS partially agreed with this recommendation. The IRS stated that the current policy is a balanced approach and can reach more taxpayers by pursuing a single tax year. Once a single balance due module is assessed by the ASFR system, it provides IRS Collection function employees leverage in the form of enforced collection actions. When the IRS's Automated Collection System or Field Collection functions are assigned a taxpayer's case, they are responsible for bringing the taxpayer into full filing compliance and will address those prior years as appropriate.

Office of Audit Comment: Although the IRS's Automated Collection System and Field Collection functions emphasize bringing taxpayers into full compliance, the ASFR function policies only focus on a single tax year's unfiled return. We are concerned that the IRS is not prioritizing cases with multiple tax years of unfiled returns, which may result in inequitable treatment of taxpayers and does not maximize taxpayer compliance.