



INSPECTOR GENERAL
FOR TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20005

October 29, 2021

The Honorable Ron Wyden
Chairman
Committee on Finance
United States Senate
221 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Wyden:

This letter is in response to your staff's October 6, 2021, correspondence to the Treasury Inspector General for Tax Administration (TIGTA) requesting an update on statistics reported in TIGTA's May 2020 report titled *High-Income Nonfilers Owing Billions of Dollars Are Not Being Worked by the Internal Revenue Service*.¹ This document has not been through TIGTA's quality review process and is being provided for informational purposes only.

The results from our 2020 report showed that the top 100 high-income nonfilers for Tax Years (TY) 2014 through 2016 had total estimated tax due of approximately \$9.9 billion, making up 22 percent of the \$45.7 billion associated with the 879,415 high-income nonfilers identified in the report. Figure 1 shows the results from the report for the top 100 high-income nonfilers that had not been resolved by the Internal Revenue Service (IRS) for TYs 2014 through 2016, as of the beginning of July 2019. For the 300 high-income nonfilers, we identified 143 nonfilers, with estimated tax due of \$5.8 billion that had not been worked (99 nonfiler cases had not been placed into a Taxpayer Delinquency Investigation (TDI) inventory to be selected for work and 44 cases have been closed out of TDI inventory without being worked). The remaining 157 high-income nonfilers for the three tax years, with estimated tax due of \$4 billion, were in the Collection or Examination function inventory streams for possible further treatment. Specifically, 150 of these 157 high-income nonfilers were in the Collection function TDI inventory and the other seven were referred to the Examination function. TIGTA provided this listing of the top 100 high-income nonfilers for TYs 2014 through 2016 to the IRS on July 19, 2019.

¹ TIGTA, Report No. 2020-30-015, *High-Income Nonfilers Owing Billions of Dollars Are Not Being Worked by the Internal Revenue Service* (May 2020).

Figure 1: Summary of the Top 100 High-Income Nonfilers Having an Estimated Tax Due and No Satisfied Filing Requirement as of the beginning of July 2019²

Tax Year	Cases in Inventory ³	Cases Not Placed in TDI Inventory ⁴	Cases Closed Out of TDI Inventory but Not Worked	Total Cases
2014				
Number	*1*	*1*	36	100
Estimated Tax Due	\$1.0 Billion	\$7.5 Million	\$1.6 Billion	\$2.6 Billion
2015				
Number	*1*	94	*1*	100
Estimated Tax Due	\$62.5 Million	\$3.6 Billion	\$21.9 Million	\$3.7 Billion
2016				
Number	90	*1*	*1*	100
Estimated Tax Due	\$2.9 Billion	\$20.3 Million	\$634.7 Million	\$3.5 Billion
Total Cases	157	99	44	300
Total Estimated Tax Due	\$4.0 Billion	\$3.6 Billion	\$2.2 Billion	\$9.9 Billion

Source: TIGTA analysis of Individual Master File Case Creation Nonfiler Identification Process nonfiler data from the IRS's Compliance Data Warehouse and matched with tax account information from the Individual Master File records and additional tax account research.

The Committee requested updated information regarding how many taxpayers from this group of high-income nonfilers have been brought fully into compliance, how much tax liability remains uncollected, and any enforcement actions taken by the IRS to collect, including levies, Notices of Federal Tax Lien Filings, or seizures of property. In order to perform our analysis and respond quickly to the Committee's request, we conducted an analysis similar to that performed in the prior report and determined if the cases were still in an IRS inventory, not placed in TDI inventory, closed out of inventory, or if the case had been worked and brought into compliance.

As shown in Figure 2, we reevaluated the 300 top high-income nonfilers shown in our May 2020 report and identified 117 (39 percent) nonfilers, with an estimated tax due of more than \$5.2 billion, that still have not been worked as of mid-October, 2021 (70 nonfiler cases had not been placed into a TDI inventory to be selected for work and 47 cases have been closed out of TDI inventory without being worked).⁵ A total of 78 (26 percent) of the top high-income nonfilers for the three tax years are either in the

² Amounts may not total due to rounding. This summary is from the published audit report. Numbers marked with *1* are redacted to avoid disclosure of tax return/return information.

³ Cases in inventory include 150 cases in the Collection function TDI inventory and 7 cases that were referred to the Examination function by the Collection function and are in the Examination function inventory.

⁴ Cases not placed into inventory include 96 cases for which no delinquency notices were issued and 3 cases for which a delinquency notice was issued, but the cases are not in TDI inventory.

⁵ Case data for the 300 high-income nonfilers was researched October 12 through October 20, 2021.

Collection function's TDI inventory, being worked by the Criminal Investigation function, or being worked by or referred to the Examination function, with estimated tax due of \$2.8 billion. The remaining 105 (35 percent) cases have been worked by the IRS or the taxpayer has filed a return.

Figure 2: Summary of the Top 100 High-Income Nonfilers as of mid-October, 2021⁶

Tax Year	Cases in Inventory ⁷	Cases Not Placed in TDI Inventory ⁸	Cases Closed Out of TDI Inventory but Not Worked ⁹	Cases Worked or Taxpayer Filed Return	Total Cases
2014					
Number	*1*	*1*	33	46	100
Estimated Tax Due	\$131.4 Million	\$2.4 Million	\$1.6 Billion	\$945.5 Million	\$2.6 Billion
2015					
Number	*1*	66	*1*	23	100
Estimated Tax Due	\$545.4 Million	\$2.9 Billion	\$0	\$242.8 Million	\$3.7 Billion
2016					
Number	47	*1*	*1*	36	100
Estimated Tax Due	\$2.1 Billion	\$20.3 Million	\$779.6 Million	\$632.2 Million	\$3.5 Billion
Total Cases	78	70	47	105	300
Total Estimated Tax Due	\$2.8 Billion	2.9 Billion	\$2.3 Billion	\$1.8 Billion	\$9.9 Billion

Source: TIGTA analysis of the 300 tax accounts using information from the Individual Master File records and additional tax account research.

⁶ Amounts may not total due to rounding and some numbers have been redacted to avoid the disclosure of tax return/return information.

⁷ Cases in inventory include cases ready to be worked or cases currently being worked but not resolved as of the date of our analysis (52 cases are in the Collection function TDI inventory; 4 cases have an open examination indicator; 19 cases have been referred to the Examination Function; and 3 cases are currently being worked by the IRS's Criminal Investigation).

⁸ Cases not placed into inventory include *1* cases for which no delinquency notices were issued and *1* cases for which a delinquency notice was issued, but the cases are not in TDI inventory (numbers redacted to avoid the disclosure of tax return/return information).

⁹ Cases closed out of TDI inventory but not worked include 42 shelved cases and 5 cases closed out of TDI inventory, but without an indicator that the case was worked.

As shown in Figure 3, out of the 105 cases worked by the IRS (including cases where taxpayers filed their tax return without IRS enforcement actions), in 42 cases (40 percent) taxpayers paid all tax liability and are fully compliant, resulting in \$92.9 million in taxes assessed and paid. The IRS assessed tax for 27 (26 percent) cases and either the account has been partially paid or no payments have been made at the time of our analysis, resulting in assessed taxes of \$61 million and a remaining balance due of \$99.4 million, which includes assessed taxes, interest, and penalties. The remaining 36 (34 percent) cases have been worked by the IRS and no longer have a tax liability.

Figure 3: Summary of the High-Income Nonfilers Worked by the IRS or With a Taxpayer-Filed Return as of mid-October, 2021¹⁰

Tax Year	Cases Where Taxpayer is Fully Compliant (Paid)	Cases With Assessed Tax (Not Paid or Partially Paid)¹¹	Satisfied Account¹²	Total Cases Worked or Taxpayer Filed Return
2014				
Number	14	9	23	46
Tax Assessed	\$3.2 Million	\$40.6 Million	\$0	\$43.8 Million
Balance Due	\$0	\$70.0 Million	\$0	\$70.0 Million
2015				
Number	8	10	5	23
Tax Assessed	\$12.9 Million	\$3.6 Million	\$0	\$16.5 Million
Balance Due	\$0	\$893,090	\$0	\$893,090
2016				
Number	20	8	8	36
Tax Assessed	\$76.7 Million	\$16.8 Million	\$0	\$93.5 Million
Balance Due	(\$41,599)	\$28.5 Million	\$0	\$28.5 Million
Total Cases	42	27	36	105
Total Tax Assessed	\$92.9 Million	\$61.0 Million	\$0	\$153.9 Million
Total Balance Due	(\$41,599)	\$99.4 Million	\$0	\$99.4 Million

Source: TIGTA analysis of the 300 tax accounts using information from the Individual Master File records and additional tax account research.

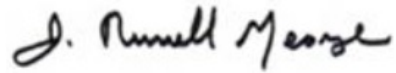
¹⁰ Amounts may not total due to rounding.

¹¹ Of the 27 cases with assessed tax but not fully or partially paid, 8 have a lien placed on the account, 3 have an installment agreement, and 5 cases are considered currently not collectible.

¹² Cases considered to be a satisfied account include 28 cases where the IRS worked the case and determined the taxpayer was not liable. Other reasons include cases where the IRS was unable to locate the taxpayer or where the IRS secured a return but the posting of the return is still pending.

If you have any questions or require further information regarding this matter, please do not hesitate to call me at (202) 622-6500, or have a member of your staff contact Michael McKenney, Deputy Inspector General of Audit, at (202) 622-5916.

Sincerely,

A handwritten signature in black ink that reads "J. Russell George". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

J. Russell George
Inspector General