



Why You (Probably) Won't Get Audited by the IRS This Year

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Filing taxes can be stressful, with America's complicated tax code turning what could be simple formulas into quadratic equations. But if your anxiety comes from the fear that a filing mistake could turn into a painful audit, you can likely stop worrying, based on recently-released figures from the Internal Revenue Service (IRS).

In the last decade, your chances of getting audited have shrunk from slim to virtually none.

To be clear, no one is advocating you try to scam the IRS. Chances are that won't end well. But according to a [March 2021 Department of Treasury report](#), only 1 out of every 225 individual returns (0.4%) was examined by IRS staff, with nearly half of those returns belonging to filers who claimed the Earned Income Tax Credit (EITC). The audit rate for individuals making less than \$200,000 who did not claim the EITC was even lower, approximately 1 out of every 369 filers (0.3%).

[According to Dept. of Treasury figures](#), out of more than 199 million tax returns in FY 2019, only 771,095 returns were examined - a drop of 44% from FY 2015.

While the IRS has automated some of its review processes to catch large reporting anomalies by machine – and tax fraud can still result in serious financial penalties and jail time - the IRS has a lot fewer employees policing it than it has in decades. It also has fewer employees working in customer service, to help taxpayers navigate one of the world's most complicated tax systems.

The number of IRS revenue agents shrunk 43% between Sept. 2010 (14,749 paid employees) and Sept. 2020 (8,350 paid employees), according to the Transactional Records Access Clearinghouse (TRAC) at Syracuse University.

“(IRS) cuts have seriously undermined the agency's ability to administer tax laws in a fair and effective manner,” [a recent TRAC report wrote](#). “At the same time, Congress has handed the IRS new responsibilities, including coping with major changes to the tax law and sending out repeated rounds of stimulus payments to millions of taxpayers.”

Tax experts and watchdogs have warned the incentive to cheat – especially among high-earners and corporations - [has grown as the audit rates have fallen](#). And they say it could cost the government [up to a trillion dollars](#) in annual revenue, which could otherwise fund government programs related to infrastructure, family assistance, or community services.

Early 2021 data also reveals a 14% drop in tax prosecutions and a 32% drop in tax convictions from one year earlier, continuing a decade-long drop in enforcement.

“Budget cuts have severely undermined the IRS’s ability to enforce the nation’s tax laws & help taxpayers navigate a system that relies on voluntary compliance,” said Chuck Marr, Senior Director of Federal Tax Policy for the Center on Budget and Policy Priorities, a left-leaning Washington think tank. “A rebuilt IRS could help fund key national priorities...and restore public trust in the fairness of the tax system.”

Biden’s Proposal: Fund the IRS to Curb Millionaire Cheats and Attack National Deficits

For as fast as audit rates on America’s working class have fallen, the audit rates of America’s millionaires has fallen even faster.

Even though filers reporting more than \$1 million in annual income were six times more likely to be audited than individuals making less than \$200,000, the 2.4% examination rate for million-dollar earners was just a quarter of FY 2015’s 9.6% rate.

President Biden, as part of his American Families Plan, has called for more scrutiny of America’s more than 637,000 million-dollar tax filers, as well as large corporations, who have also seen far fewer audits in recent years. Nearly two-thirds of the 755 largest corporations in the country - those with over \$20 billion in assets - were not audited last year, compared to 93% which were audited in 2012, according to Syracuse’s TRAC.

The Biden administration proposed an \$80 billion increase to IRS funding over the next decade, with three-quarters of the spending earmarked for enforcement, claiming the commitment will provide the government a return of four dollars for every dollar invested.

Analysis of the return on investment claims differs greatly, but the nonpartisan Brookings Institute suggests it would be money well-spent regardless of the exact collection figures.

The Case for Less Enforcement

Biden’s calls for tougher tax enforcement have met criticism from Republicans who are concerned about growing government budgets, as well as a growing trove of personal information collected by the government.

“I don’t mind staffing increases to improve service for taxpayers, but I’m against more enforcement and information-grabbing,” said Chris Edwards, director of tax policy studies at the Cato Institute, a libertarian think tank in Washington.

Edwards added that only 10% of Biden’s proposed budget increases would go to “taxpayer services” like filing assistance, advocacy, and education.

Other critics tell NBCLX they’re concerned about the amount of information amassed by the IRS during an audit and the way the agency protects personal data.

“The only way the IRS can accomplish (an audit) is by knowing everything there is to know about a person’s life and finances,” Daniel J. Pilla, founder of the Tax Freedom Institute and author of How to Win Your Tax Audit, told NBCLX in an email. “Should citizens surrender 100% of their personal privacy to the federal government in order to facilitate tax preparation?”

Pilla acknowledges underreported taxes cost the federal government revenue, but contends it's more due to confusion than fraud. The IRS reports a 98% compliance and collection rate nationwide.

“People screw themselves into the ground working to comply with our massive tax code,” Pilla wrote in a [recent essay for the *National Review*](#). “In 2019, over 67 million Americans sought some form of compliance help from the IRS in some capacity; just 1,800 were charged with a tax crime. Clearly, the IRS has much more to gain by teaching people to comply than by grinding them into powder if they don't.”

Why Doesn't the IRS Just Do My Taxes For Me?

You can likely find Democrats and Republicans who agree on one tax issue: America's code is overcomplicated, with too many loopholes.

Compared to most other developed countries, America's tax laws are far more complex, and self-filing require much more effort and knowledge.

Why doesn't the federal government just do our taxes for us, as governments of some other developed countries do?

It seems each time elected leaders propose simplifying the tax code, their efforts are met with intense lobbying – [from corporate interests](#), and/or members of Congress trying to gain an advantage for their constituents. President Trump's promise of a simple postcard-sized tax return [met a similar fate](#), never coming close to reality.

“The simpler the tax code, the less confusion there is, and the more people tend to believe the code is fair and equitable,” Pilla told NBCLX. “When people find it easy to comply and believe the code is fair, they are remarkably less likely to cheat.”