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## **IRS Switches Audits From Large Corporations to Small Business – Hurting Economic Recovery**

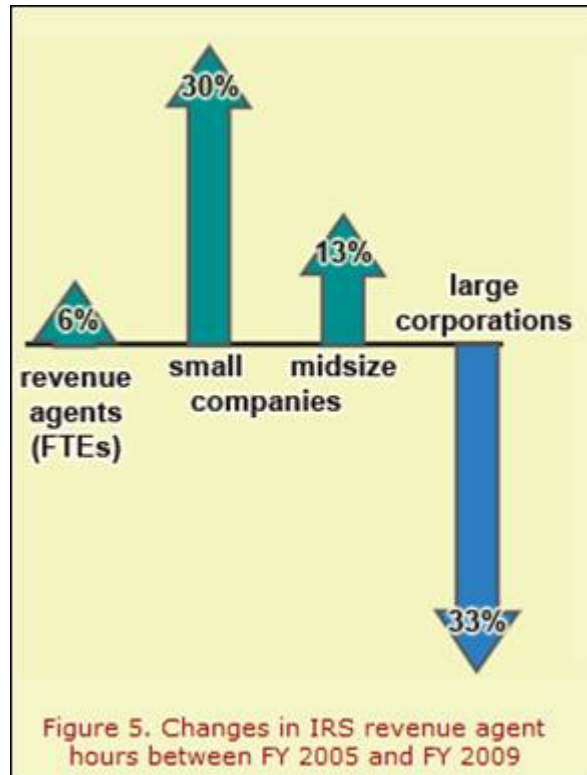
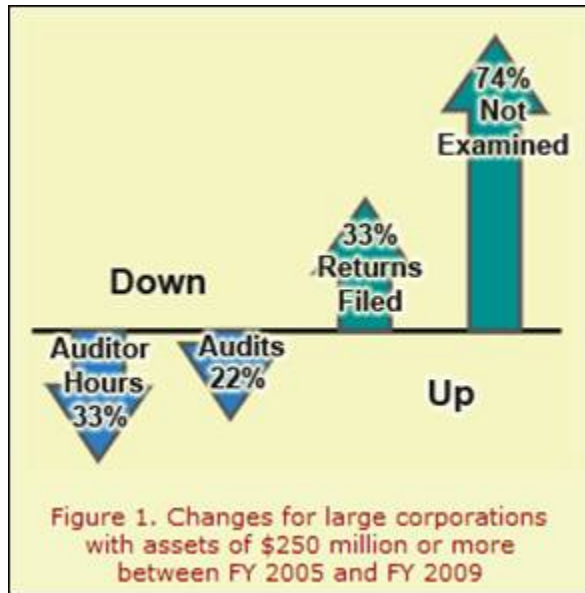
Houston, April 12, 2010

***A new study by the Transactional Records Access Clearinghouse (TRAC) shows that despite a growing federal deficit, IRS audit efforts aimed at the nation's largest corporations have precipitously declined in the last few years and now are at an all time low.***

According to Dean Zerbe, [alliantgroup](#) National Managing Director and former Tax Counsel on the Senate Finance Committee, "As if April 15th isn't frightening enough for small business owners, now comes news that the IRS has increased audit hours for small and medium businesses by 30% over the last five years, while at the same time decreasing the number of hours spent auditing large corporations by 33%."

The TRAC study, Zerbe says, "makes it clear that the IRS is not getting more blood from the small business turnips, even as it ramps up audits." The average claimed tax underreporting per hour for small and medium businesses is \$1,025, and for large corporations it's \$9,354. Claims that the tax gap justifies the move to more audit hours spent on small and medium businesses are not supported by the TRAC numbers. The TRAC study shows that over the past few years, despite a big upswing in the number of hours auditing small and medium businesses, the number of no-change audits (audits that resulted in no change to the tax owed) has stayed approximately the same, and the number of dollars collected per hour has also stayed roughly the same. At the same time, the dollars collected per audit-hour of large corporations has gone from \$6,594 in 2005 to \$9,354 in 2009.

Note the changes shown in figures 1 and 5 from the TRAC report below:



Unlike a large corporation that may have on staff a dozen tax attorneys who would have little to do if the IRS didn't call, an audit for a small or medium business is costly and may cause economic harm to the company – even if the IRS doesn't find anything wrong.

Zerbe points out: "Often the audit of a small or medium business will require the time and attention of the business owners themselves – time that could be spent improving and expanding their business and hiring new employees. Shifting IRS enforcement and the burden of additional scrutiny onto small and medium businesses has an impact beyond just the IRS's compliance numbers. Small and medium businesses already do not take full advantage of Congressionally-approved tax incentives and credits because of fear of audit. This news today will only exacerbate a bad situation.

"While politicians in Washington love to give speeches touting how small businesses are the engines for job growth, revving up IRS audits of small business is like putting sugar in the gas tank. The administration needs to rethink a strategy that we can audit our way to creating new jobs."

Visit <http://trac.syr.edu/tracirs/newfindings/v15/> to read the full study by TRAC and review the comprehensive data.

For more information, please contact [dean.zerbe@alliantgroup.com](mailto:dean.zerbe@alliantgroup.com).

*alliantgroup is the nation's premier provider of specialty tax services, working with businesses and their CPA firms to identify and claim the government-sponsored tax credits, incentives, and deductions (such as the R&D tax credit and export incentives among others) that help businesses compete and thrive. The company also aggressively advocates the interests of small and medium businesses in Washington, while keeping its clients current regarding the tax issues that affect them.*

*Dean Zerbe is alliantgroup's National Managing Director based in the firm's Washington D.C. office. Prior to joining alliantgroup, Dean was Senior Counsel and Tax Counsel to the U.S. Senate Committee on Finance. He worked closely with then-Chairman and current Ranking Member of the Finance Committee, Senator Charles Grassley (R-IA), on tax legislation. During his tenure on the Finance Committee, Dean was intimately involved with nearly every major piece of tax legislation that was signed into law – including the 2001 and 2003 tax reconciliation bills, the JOBS bill in 2004 (corporate tax reform), and the Pension Protection Act. He also served as a Senior Policy Advisor to the National Commission on Restructuring the IRS. Dean is a frequent speaker and author on the outlook for short-term and long-term changes in tax policy, as well as ways accounting firms can help their clients lower their tax bill. He holds an LL.M. in Taxation from NYU and a J.D. from George Mason University.*