

Alert | Tax Controversy and Litigation



March 2024

IRS Non-Filer Enforcement Aimed at High-Income Taxpayers

On Feb. 29, the Internal Revenue Service **announced** a new initiative targeting individuals who failed to file income tax returns for 2017 and later years. This initiative, funded by the Inflation Reduction Act, follows on the agency's larger effort to examine large corporate, partnership, and high-income individual filers. See **September 2023 GT Alert**. It also complements the IRS's tax-collection efforts targeting millionaires with large tax debts. So far, the IRS says it has collected nearly \$500 million because of these efforts.

This new non-filer effort includes taxpayers with income between \$400,000 and \$1 million between 2017 and 2021. Over 100,000 compliance letters are being mailed to individuals in this group, with about 20,000 to 40,000 letters (CP-59) going out each week. For non-filers with more than \$1 million in income, the IRS will send compliance letters to more than 25,000 individuals. The identification of high earners in these two categories derives from third-party information provided to the IRS through various information returns and forms, such as Forms W-2 and 1099s.¹

The IRS announcement warns taxpayers to take immediate action to avoid additional notices and higher penalties and to talk to a trusted tax professional as soon as possible. Those who do not respond to the IRS's compliance letter will receive additional notices and other audit and collection enforcement action, including potential criminal prosecution. The IRS has the authority to prepare a tax return for a non-filer

¹ The information reported to the IRS is available to an individual taxpayer on a Wage and Income Transcript.

based only on the income information reported to it and without crediting the taxpayer with deductions and exemptions to which it might be entitled, creating a higher tax liability. These returns, called a Substitute for Return (SFR), can lead to enforced collection activity by the IRS to collect the higher tax liability and/or require the non-filer to bring an action in court to challenge the IRS's determinations.

The bottom line is that the IRS now has the resources and the will to pursue high-income non-filers and is doing so.

Authors

This GT Alert was prepared by:

- [Scott E. Fink](#) | +1 212.801.6955 | finks@gtlaw.com
- [Barbara T. Kaplan](#) | +1 212.801.9250 | kaplanb@gtlaw.com

Additional Group Members:

- [Jared E. Dwyer](#) | +1 305.579.0564 | dwyerje@gtlaw.com
- [G. Michelle Ferreira](#) | +1 415.655.1305 | ferreiram@gtlaw.com
- [Sharon Katz-Pearlman](#) | +1 212.801.9254 | Sharon.KatzPearlman@gtlaw.com
- [Courtney A. Hopley](#) | +1 415.655.1314 | hopleyc@gtlaw.com
- [Shira Peleg](#) | +1 212.801.6754 | pelegs@gtlaw.com
- [James T. Smith](#) | +1 415.590.5104 | James.Smith@gtlaw.com
- [Jennifer A. Vincent](#) | +1 415.655.1249 | vincentj@gtlaw.com

Albany. Amsterdam. Atlanta. Austin. Berlin.[~] Boston. Charlotte. Chicago. Dallas. Delaware. Denver. Fort Lauderdale. Houston. Kingdom of Saudi Arabia.[«] Las Vegas. London.^{*} Long Island. Los Angeles. Mexico City.⁺ Miami. Milan.[»] Minneapolis. New Jersey. New York. Northern Virginia. Orange County. Orlando. Philadelphia. Phoenix. Portland. Sacramento. Salt Lake City. San Diego. San Francisco. Seoul.[∞] Shanghai. Silicon Valley. Singapore.[∞] Tallahassee. Tampa. Tel Aviv.[^] Tokyo.[∞] United Arab Emirates.[<] Warsaw.⁻ Washington, D.C.. West Palm Beach. Westchester County.

*This Greenberg Traurig Alert is issued for informational purposes only and is not intended to be construed or used as general legal advice nor as a solicitation of any type. Please contact the author(s) or your Greenberg Traurig contact if you have questions regarding the currency of this information. The hiring of a lawyer is an important decision. Before you decide, ask for written information about the lawyer's legal qualifications and experience. Greenberg Traurig is a service mark and trade name of Greenberg Traurig, LLP and Greenberg Traurig, P.A. ~Greenberg Traurig's Berlin office is operated by Greenberg Traurig Germany, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. «Khalid Al-Thebity Law Firm in affiliation with Greenberg Traurig, P.A. is applying to register a joint venture in Saudi Arabia. *Operates as a separate UK registered legal entity. +Greenberg Traurig's Mexico City office is operated by Greenberg Traurig, S.C., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. »Greenberg Traurig's Milan office is operated by Greenberg Traurig Santa Maria, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ∞Operates as Greenberg Traurig LLP Foreign Legal Consultant Office. ~Greenberg Traurig's Singapore office is operated by Greenberg Traurig Singapore LLP which is licensed as a foreign law practice in Singapore. ^Greenberg Traurig's Tel Aviv office is a branch of Greenberg Traurig, P.A., Florida, USA. ∞Greenberg Traurig's Tokyo Office is operated by GT Tokyo Horitsu Jimusho and Greenberg Traurig Gaikokuhojimubengoshi Jimusho, affiliates of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. <Greenberg Traurig's United Arab Emirates office is operated by Greenberg Traurig Limited. ~Greenberg Traurig's Warsaw office is operated by GREENBERG TRAURIG Nowakowska-Zimoch Wysokiński sp.k., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. Certain partners in GREENBERG TRAURIG Nowakowska-Zimoch Wysokiński sp.k. are also shareholders in Greenberg Traurig, P.A. Images in this advertisement do not depict Greenberg Traurig attorneys, clients, staff or facilities. No aspect of this advertisement has been approved by the Supreme Court of New Jersey. ©2024 Greenberg Traurig, LLP. All rights reserved.*