Common Dreams NEWS CENTER
Breaking News & Views for the Progressive Community
www.commondreams.org

Published on Monday, July 24, 2006 by the International Herald Tribune

Layoffs at IRS will Halve Audits of Wealthy Estates

by David Cay Johnston

NEW YORK - The U.S. government is moving to eliminate the jobs of nearly half of the lawyers at the Internal Revenue Service who audit the tax returns of some of the wealthiest Americans, specifically those who are subject to gift and estate taxes when they transfer parts of their fortunes to their children and others.

The administration plans to cut the jobs of 157 of the agency's 345 estate tax lawyers, plus 17 support personnel, in fewer than 70 days.

Kevin Brown, an IRS deputy commissioner, confirmed the cuts after The New York Times was given internal documents by people inside the IRS who oppose the action.

The Bush administration has successfully lobbied Congress to enact measures that reduce the number of Americans who are subject to the estate tax - which opponents refer to as the "death tax" - but has failed in its efforts to eliminate the tax entirely.

Brown said during a telephone interview that he had ordered the cuts because far fewer people were obliged to pay estate taxes under Bush's legislation.

But six lawyers whose jobs are likely to be eliminated said during interviews that the cuts were just the latest moves to shield people.

Sharyn Phillips, an IRS estate tax lawyer in New York, called the cuts a "backdoor way for the Bush administration to achieve what it cannot get from Congress, which is repeal of the estate tax."

Brown dismissed as preposterous any suggestion that the IRS was soft on rich tax cheats. He said that the money saved by eliminating the estate tax lawyers would be used to hire revenue agents to audit returns, especially those from people making more than $1 million.

Brown said that civil service rules barred the estate tax lawyers from moving to audit income taxes. An IRS spokesman said that the agency had asked for permission to allow such transfers twice but that the Office of Personnel Management had not responded.

Brown said that analysis showed the IRS was auditing enough returns to catch cheats and that 10 percent of the estate audits brought in 80 percent of the additional taxes. He said that auditing a greater percentage of such returns would not be worthwhile because "the next case is not a lucrative case" and likely to be of relatively little value.

That is a change from six years ago, when the IRS said that 85 percent of large taxable gifts it audited had sought to shortchange the government.

Over the past five years, officials at both the IRS and the Treasury have told Congress that cheating among the highest-income Americans was a major and growing problem.

###