

Sy Accountancy Corporation

704 Mira Monte Place, Pasadena, California 91101
Tel (626) 744-0200 ▪ Fax (626) 744-0300 ▪ vsy@victorsycpa.com

IRS USES BANK CASH TRANSACTIONS AS A SOURCE OF AUDITS

[IRS Audit Report No. 2010-30-104]

IRS has achieved some success in using Currency Transaction Reports (CTRs) to address the problem of non-filers and under-reporters. Although the use of CTRs is normally associated with efforts to combat money laundering, auditors were able to identify “a number of individuals who have enough cash to engage in currency transactions totaling at least \$20,000, but did not file tax returns even though they appeared to have a filing requirement,” TIGTA said. According to TIGTA, its auditors evaluated two statistical samples of individuals with currency reports totaling at least \$20,000 that were filed by financial institutions and casinos with IRS for tax year 2007. In one sample, 31 out of 100 individuals “appeared to have a filing requirement for tax year 2007 but had not filed a tax return.” In the second sample, 17 out of 100 individuals sampled had expenses “which seemed too large for the gross income they reported as earnings.” IRS's Criminal Investigation Division has obtained convictions for tax evasion that either originated from CTR data or “for which CTR data served as a roadmap to establish a crime was committed,” TIGTA stressed, adding that agency examiners closed several hundred audits that stemmed from CTR data. The latter cases led to recommendations for the payment of \$13.6 million in additional taxes. The audit can be found at <http://www.treasury.gov/tigta/auditreports/2010reports/201030104fr.pdf>.