

IRS Targets High-Income Non-Filers

By Grant Kaiser and Robbie Alipour

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High-income non-filers are being contacted by the Internal Revenue Service (the “IRS”) about their tax noncompliance. The IRS [announced](#) on February 29, 2024 a new enforcement campaign focused on taxpayers at the high end of the income spectrum who failed to file federal income tax returns between 2017 and 2021.¹ Targeted high-income non-filers will receive an IRS compliance letter in the coming weeks detailing what can be done to resolve their non-filing status. The IRS believes it may collect hundreds of millions of dollars of unpaid taxes (plus penalties and interest) from chronic non-filers, a group whose financial activity is estimated to top \$100 billion since 2017. The launch of the program is part of a campaign examining large corporations, large partnerships and high-income individuals that may have significant tax liabilities. It has been expected that the IRS would concentrate on high-income non-filers as the IRS implements the enforcement efforts [announced](#) on September 8, 2023.²

The IRS has identified more than 125,000 instances of high-income non-filers who have failed to file federal income tax returns. Over 100,000 compliance letters (known as a CP59 Notice) will go to non-filers with income between \$400,000 and \$1 million and more than 25,000 letters will go to taxpayers with income above \$1 million. Chronic non-filers will receive more than one letter. The IRS identified the non-filers by examining third-party information (e.g., Forms W-2 and 1099) reflecting income for tax years between 2017 and 2021. Prior to funding from the Inflation Reduction Act (the “IRA”), the IRS asserted that it did not have the resources to examine chronic non-filers consistently. With the IRA-related funding, the IRS is seeking to prove it can recover taxes by examining high-income non-filers who were shielded from scrutiny due to IRS underfunding. Many of the compliance letters are planned to be mailed by the end of March.

The CP59 Notices instruct non-filers on how to resolve their tax noncompliance. In the announcement, the IRS warned uncooperative taxpayers that IRS actions will escalate. The announcement highlights that noncompliance is expensive and may result in stronger enforcement actions, including criminal prosecution. A taxpayer ignoring the IRS’s outreach may have a substitute tax return prepared on their behalf based on information reported by third parties. While some non-filers may be owed a refund, an IRS-prepared return is unlikely to reflect the taxpayer’s complete tax profile accurately and may omit relevant exemptions, credits and deductions that would otherwise reduce the tax liability, likely resulting in taxes being owed. Failure to pay such taxes will result in the initiation of the collection process, which could result in a levy on wages or

¹ Internal Revenue Service, News Release, *IRS launches new effort aimed at high-income non-filers; 125,000 cases focused on high earners, including millionaires, who failed to file tax returns with financial activity topping \$100 billion*, IR-2024-56 (Feb. 29, 2024) (<https://www.irs.gov/newsroom/irs-launches-new-effort-aimed-at-high-income-non-filers-125000-cases-focused-on-high-earners-including-millionaires-who-failed-to-file-tax-returns-with-financial-activity-topping-100-billion>).

² Internal Revenue Service, News Release, *IRS announces sweeping effort to restore fairness to tax system with Inflation Reduction Act funding; new compliance efforts focused on increasing scrutiny on high-income, partnerships, corporations and promoters abusing tax rules on the books*, IR-2023-166 (Sept. 8, 2023) (<https://www.irs.gov/newsroom/irs-announces-sweeping-effort-to-restore-fairness-to-tax-system-with-inflation-reduction-act-funding-new-compliance-efforts>).

bank accounts or a federal tax lien. To assist non-filers, the IRS has published [guidance](#) on the enforcement process and how to address noncompliance after receiving a compliance letter.³

The new campaign reflects the IRS's prioritization of high-value enforcement spending. The announcement indicates that tax data captured by the reporting system is likely to yield recovery of significant taxes. The IRS may also believe that high-income non-filers are more likely to accrue income from opaque sources outside the reporting system. For example, nonwage sources of compensation income are less visible to the reporting system. The balance the IRS ultimately collects may grow substantially once a taxpayer is formally under examination and faces penalties and interest. The campaign is expected to focus on non-filing individuals, who comprise a significant share of the tax gap.⁴

If you have any questions about this article, please contact **Grant Kaiser** at gkaiser@vedderprice.com, **Robbie Alipour** at ralipour@vedderprice.com or any other Vedder Price attorney with whom you have worked.

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³ Internal Revenue Service, News Release, *What to expect after receiving a non-filer compliance alert notice and what to do to resolve*, FS-2024-06 (Feb. 2024) (<https://www.irs.gov/newsroom/what-to-expect-after-receiving-a-non-filer-compliance-alert-notice-and-what-to-do-to-resolve>).

⁴ See, e.g., Internal Revenue Service, Report, *Federal Tax Compliance Research: Tax Gap Estimates for Tax Years 2014–2016*, Publ'n 1415 (Oct. 23, 2023) (<https://www.irs.gov/pub/irs-pdf/p1415.pdf>).