EXECUTIVE

Watchdog: Increased risk of IRS unfairly auditing political groups

Published July 23, 2015
Associated Press

Lax oversight at the IRS increases the risk that political and religious groups could be unfairly targeted for audits, government investigators say in a report that raises concerns about an IRS division that has been under scrutiny for singling out conservative organizations.

The Government Accountability Office found no evidence that agents improperly audited any groups. But a new GAO report released Thursday says poor oversight increases the risk that agents could select tax-exempt groups for audits based on their religious, educational or political views.

There are 1.6 million tax-exempt groups in the U.S., according to the GAO report. Fewer than 1 percent are audited each year, a process that can be costly and time-consuming for both the IRS and the group being audited.

"We first learned the IRS was unfairly singling out conservative groups applying for tax-exempt status," said Rep. Peter Roskam, R-Ill., chairman of the Ways and Means oversight subcommittee.

"This report exposes a new and more egregious frontier of potential targeting in the agency's audit selection process," Roskam said.

Roskam's subcommittee is scheduled to hold a hearing on the GAO report Thursday morning. IRS Commissioner John Koskinen is scheduled to testify, as well as leaders of several tax-exempt groups that have been audited.

The IRS acknowledged in 2013 that agents had improperly singled out tea party and other conservative groups for extra scrutiny when they applied for tax-exempt status. The revelation led to ongoing investigations by Congress, the Department of Justice and the agency's inspector general.

In response to Thursday's report, the IRS noted there was no proof that groups were unfairly selected for audit.

"The IRS has strong protections in place to ensure that exempt organizations are selected for audit only for the purpose of enforcing the federal tax laws with fairness and integrity," the IRS said in a statement. "No internal or external review conducted to date has found any indication that an exempt organization has been improperly selected for audit."

In 2014, the IRS completed a little more than 8,000 audits of tax-exempt groups.

About half were chosen because IRS computers detected potential problems on their annual filings. Tax-exempt groups don't file tax returns. But those with receipts of more than $50,000 must file a form that details their revenues, liabilities and program activities. Smaller groups have to file a postcard.

Others groups were selected as part of compliance projects in which the IRS studied types of groups or activities that might be at risk for tax evasion.

More than 1,600 were selected based on referrals or complaints from the public, IRS employees and other government agencies.

The referrals go to specialists, who either recommend an audit or dismiss them. Referrals that deal with political activities, churches or high-profile organizations that have attracted media attention are also reviewed by three-person panels.

IRS procedures are designed to prevent individual employees from unfairly selecting groups for an audit, based on inappropriate criteria. However, the GAO report found: "Staff are not required to obtain executive management approval to deviate from these procedures."

Also, supervisors don't always document whether they have approved audits, or decisions to cancel audits, the report said.

Trending in Politics

1. Seattle sees fallout from $15 minimum wage, as other cities follow suit
2. Can you hear me now? Graham smashes cell phone after Trump outs number
3. Kerry faces new questions from Congress amid complaints of Iran 'side deals'
4. Islamic State bigger threat than Al Qaeda, FBI chief says
5. Fox News Poll: Plurality says Obama administration making economy worse

See all Trends

FOX NEWS Politics

Politics Home

Executive

Senate

House of Representatives

Defense

Judiciary

Scandals

Congress To-Do List