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Certified Public Accountants

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Subject Line: Pizza Pizza

In 2016, the curtain rose on Ben Affleck's movie, *The Accountant*. Spoiler alert: he's not *just* an accountant. Sure, the character Christian Wolff spends his workdays laundering money for the mob. But what accountant *doesn't* do that? (Well, besides us.) No, the real surprise is that he's a stone-cold killer, taking out 28 characters in the course of a meandering, two-hour plot. If you watch closely enough, you'll even see one guy get killed twice.

This weekend, the sequel premiered at the SXSW Festival. It's cleverly titled *The Accountant 2*, although if a real accountant had named it, it would be *The Accountant, Schedule 2*. *Variety* magazine's initial review calls it "a thriller that improves on the first film's messiness" and adds that "with scenes that sprawl enjoyably, it's the action film as hangout movie."

At one point, *Variety* tells us that Christian bedazzles and befuddles the sleazy head of a pizza company by figuring out—based on his most popular pizza—that he's laundering money. That may sound like an only-in-Hollywood plot twist. It turns out, though, that there's real-life tax experience backing up the fictional skullduggery. Maybe the truth really is stranger than fiction!

The IRS Market Segment Specialization Program has published dozens of specialized "audit techniques guides" to help examiners find missing revenue from different taxpayers. In one case, back in 1995, they published a result based on the "Pizza Project" conducted in Providence, Rhode Island. They focused on independent mom-and-pop shops with high cash sales and high potential for skimming.

So, how do auditors go about discovering who isn't reporting all their income? Simple—it's called the "ingredient markup computation"!

- Determine the total number of pounds of flour, pounds of cheese, and cans of sauce the restaurant bought.
- Buy a small cheese pizza and a large cheese pizza.
- Send those pizzas to a specialized food-testing laboratory to weigh the flour, sauce, and cheese for each delicious pie. (The guide helpfully includes contact information for those labs.)
- Take those lab results and compare them with the ingredients purchased to determine how many pizzas the restaurant sold.
- Multiply the units sold by the average menu price to see how much the restaurant *should* be reporting.

- Finally, check the receipts to see how many they actually *did* report. If the numbers don't add up, someone's got some explaining to do!

The Pizza Project manual also included helpful instructions for checking the number of pizza boxes bought, along with guides for verifying soda and grinder sales. (They used the term "grinder" because that's what they call them in Providence. Everywhere else, they're heroes, hoagies, or subs.)

The guide doesn't cover what to do if the shop owners pack heat or threaten the auditors. Maybe that's because real audits don't end in shootouts like in a Ben Affleck film. Maybe it's just a failure of imagination. Still, for the right kind of tax nerd, it's riveting stuff. And it probably helps explain how a character like Affleck's autistic savant really might spot shenanigans based solely on a glance at a pie.

It's worth mentioning that pizza aside, the audit environment has changed considerably since the guide came out in 1995. Back then, the IRS examined 1.67% of all individual returns, and 3.47% of Schedule C returns reporting over \$100,000 in receipts. Today, the Service audits less than half of one percent of returns. That won't be much comfort if you're part of that unlucky number!

*The Accountant 2* opens at your nearest multiplex on April 25. Until then, bring your tax questions to us. Our body count may not be as high as Ben Affleck's—but our tax advice will save you *far* more than his!

Kevin

