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Here's the Tax Beat broadcast for March 26

Subject Line: Jump Into the Void

Don't look now, but April 15 is almost here! Ordinarily, that means money gushing in for our friends at the IRS. Last year, they took in $5.1 trillion, or 95% of all government revenue. Since then, the economy has grown 2.8%, suggesting we should see a similarly sized increase in revenue.

But 2025 may be different. Elon Musk and his Department of Government Efficiency have taken a chainsaw to government operations, including the IRS. They've fed 11,000 IRS employees through the proverbial woodchipper, give or take. (Many of those terminations are tied up in court.) They plan to cut total employment by 20% by May 15, and by nearly half further down the road. The Service has already dropped some in-progress audits of corporations and high-income taxpayers.

So far, there's no sign the cuts have affected this year's filing season. The IRS reports they've received just 1.7% fewer returns this year compared to the same point last year. 85% of taxpayers calling them have reached an actual human, compared to 93.6% last year.

However, there's a hidden danger lurking behind those stats. Last week, the *Washington Post* reported that cash collections could drop dramatically due to the turmoil. It's not necessarily because DOGE has broken the collection machine. It's because opportunistic taxpayers see a chance to skate without filing returns or paying their bills.

"Senior tax officials are bracing for a sharp drop in revenue collected this spring, as an increasing number of individuals and businesses spurn filing their taxes or attempt to skip paying balances owed to the Internal Revenue Service," the *Post* says, "according to three people with knowledge of tax projections." They're predicting a 10% drop from last year's collections, which could amount to $500 billion. Even more ominous: "The IRS has noticed an uptick in online chatter from individuals declaring their intention to not pay taxes this year or to aggressively claim credits and deductions for which they are ineligible, the three people said — wagering that auditors will not examine their accounts."

Here's what anyone who's tempted to take advantage of the DOGE-boys should know before opting out of this year's filing season. It's possible to go *years* without filing. However, the IRS still gets third-party reports on your income, like W-2s, K-1s, and 1099s. If those notices don't match a filed return, it flags the system. That match is made automatically, not by an employee who can be fired. Eventually the Service *will* track you down, perhaps with a home visit. (They'll have your address from those third parties.) At that point, if you don't file, they'll file *for* you. You'll owe tax, plus a failure-to-*file* penalty of 25% of the unpaid balance, plus a failure-to-*pay* penalty equal to *another* 25%. Plus interest. They'll have 10 years from the date you file to collect. In the meantime, they can put liens, levies, and garnishments on your home, your financial accounts, and your paycheck. Choose wisely.

Now let's say you take a slightly less in-your-face path. You load up your return with bogus deductions and take a spin at the audit roulette table. Odds are good you won't be audited. However, if you are, you'll owe far more than if you had just paid the tax in the first place. And there's no statute of limitations on tax fraud. If sleeping well is one of your goals, you'll want to consider the non-financial costs of exploiting today's turmoil at the IRS.

Ultimately, DOGE's goal is to replace enforcement-by-people with cheaper enforcement-by-technology. Only time will tell if they can accomplish that goal. In the meantime, we're here to help you pay less the old-fashioned way: with planning, not fraud.

Kevin