



# **IRS to establish special pass-through organization to help with high-income compliance efforts; new workgroup to blend current employees and new hires to focus on complex partnerships, other key areas**

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WASHINGTON — As work continues to focus more attention onto high-income compliance issues, the Internal Revenue Service announced plans today to establish a special area to focus on large or complex pass-through entities.

The new work unit will be housed in the IRS Large Business and International (LB&I) division. In addition, the new pass-through area will include the people joining the IRS under the new IRS hiring initiative announced last week. As part of larger transformation work underway at the IRS, the Internal Revenue Service last week announced the opening of more than 3,700 positions nationwide [↗](#) to help with expanded enforcement work focusing on complex partnerships, large corporations, and high-income and high-wealth individuals.

"This is another part of our effort to ensure the IRS holds the nation's wealthiest filers accountable to pay the full amount of what they owe," said IRS Commissioner Danny Werfel. "We are honing-in on areas where we believe non-compliance among our wealthiest filers has proliferated over the last decade of IRS budget cuts, and pass-throughs are high on our list of concerns. This new unit will leverage Inflation Reduction Act funding to disrupt efforts by certain large partnerships to use pass-throughs to intentionally shield income to avoid paying the taxes they owe. These efforts are consistent with our broader commitment to use Inflation Reduction Act dollars to end the era of historically low error rates for wealthy and large entities, while making sure middle- and low-income filers continue to see no change in audit rates for years to come."

Following a top-to-bottom review of enforcement efforts, the IRS announced on Sept. 8 the start of a sweeping, historic effort to restore fairness in tax compliance by shifting more attention onto high-income earners, partnerships, large corporations and promoters abusing the nation's tax laws.

Pass-through organizations, which will be the focus of the new group, includes entities such as partnerships and S-corporations. These groups are not subject to the corporate income tax; instead, income is "passed through" onto the income tax returns of the individual or corporate owners and taxed at their income tax rates. Pass-throughs are frequently used by higher-income groups and can be complex tax arrangements.

The creation of a new pass-through work group in LB&I is part of the new compliance effort. LB&I Commissioner Holly Paz announced the start of work on the new area today at a speech before a Tax Executives Institute meeting in New York.

"This is an important change we will be making, and we will be working in the months ahead to efficiently and effectively transition to this new group," Paz said. "This effort will include working inside the IRS as well as working with external partners to ensure this is a smooth transition period for everyone involved."

IRS will also be coordinating with the National Treasury Employees Union (NTEU) on the effort. Paz said the work group is expected to formally "stand up" sometime late next year, although work involving pass-through areas will continue to intensify in the meantime. The group will eventually include employees currently in LB&I as well as the Small Business/Self Employed division. IRS employees, no matter if they are just joining the IRS or have years of IRS experience, can expect expanded opportunities for development wherever they are in the agency.

The larger compliance effort, building off work following last August's Inflation Reduction Act funding, will center on adding more attention on high-income and high-wealth individuals, partnerships and large corporations that have seen sharp drops in audit rates during the past decade. The changes will be driven with the help of improved technology as well as Artificial Intelligence that will help IRS compliance teams better detect tax cheating, identify emerging compliance threats and improve case selection tools to avoid burdening taxpayers with needless "no-change" audits.