

How do IRS audits affect low-income families?

The IRS audits a disproportionate (but still small) share of tax returns that include EITC claims. The agency has found that average discrepancies between taxes owed and taxes paid are smaller on EITC returns than on all returns.

IRS AUDITS OF EITC RETURNS

In FY 2013, the IRS audited 1.4 million of the almost 190 million returns filed, less than 1 percent of the total. Returns claiming an EITC were audited at a rate more than twice that of all returns: 1.7 percent compared with 0.7 percent. Almost all these audits (90 percent) were correspondence audits, meaning the tax filer was notified and could respond by mail.

For all returns audited in FY 2013, the IRS recommended higher taxes on 87 percent. For EITC returns, the agency recommended higher taxes on a slightly higher 90 percent. The average amount of money the IRS attempted to collect on all returns was \$173. The average amount on EITC returns was just \$76. The IRS recommended additional refunds on 3.2 percent of all returns versus 1.3 percent of EITC returns. The average recommended refund on all returns was \$194 compared to \$6.25 for EITC returns.

DATA SOURCES

Internal Revenue Service. 2015. [Internal Revenue Service Data Book, 2014](#). Washington, DC: Internal Revenue Service.