**Palm Beach County Estate Planning Council
October 20, 2020 Virtual Program**

**CHARLES E. HODGES II, J.D., LL.M.**

**“IRS Global High Wealth Audits: How to Deal with IRS Scrutiny of Your Client’s Financial Affairs from Intellectual Property to Charitable Endeavors”**

 The IRS recently announced that in August, 2020, it would focus its resources on conducting audits of high-income/high-wealth taxpayers and their affiliates through the IRS Global High Wealth (GHW) Group, which includes examiners and other IRS professionals who have been trained to take a holistic approach in addressing the high-wealth taxpayer population and to look at the complete financial picture of high-wealth individuals and the enterprises they control. These enterprises include interests in partnerships, trusts, closely held corporations, intellectual property, private foundations, and estate plans.

The following is a summary of the presentation:

1. IRS GHW Overview 5 minutes

 a. Identifying tax returns under review

 b. GHW team of examiners

2. Procedures for Conducting GHW Audits 10 minutes

 a. Scope & Objectives of Audit

 b. Risk Assessment for Issues such as IP, charities, and closely-held businesses

3. Representation of Taxpayers in GHW Audits 5 minutes

4. Role of Attorneys, CPAs, Insurance Professionals, and Financial Advisors in GHW Audit 10 minutes

5. Kovel Agreements & GHW Audits 10 minutes

6. How to Respond to Information Document Requests (IDRs) during Audit
 10 minutes

7. IRS Appeals of GHW Audit Adjustments 10 minutes

 In a webcast hosted by the NYU School Of Professional Studies, Commissioner of the IRS Large Business and International ("LB&I") Division Douglas O'Donnell stated that by September 30, he expects "several hundred [GHW exams] will be started." Tamera Ripperda, Commissioner of the IRS Tax-Exempt and Government Entities ("TE/GE") Division, added that in addition to exams on high-wealth individuals, she anticipates an increased rate of audit of private foundations.

 This sudden increase in cases comes in light of the recent report issued by the Treasury Inspector General of Tax Administration ("TIGTA"), recommending that the IRS increase its focus on certain high-income taxpayers. The TIGTA report states that over the past few years, a significant portion of actionable global high-wealth tax returns were never audited.

 This presentation will discuss the fact GHW taxpayers should carefully consider how to approach a GHW audit of the affiliated entities, especially when the entities could have multiple owners with varying interests. In most instances, GHW taxpayers may want to consider engaging tax litigators at the start of the examination who can utilize the assistance of the return preparers under a Kovel agreement.