

June 30, 2023

The IRS Makes Another Disturbing House Call

You may have heard that Matt Taibbi, the investigative reporter who was picked by Elon Musk to analyze some of Twitter's actions and was called to testify before Congress on government abuse received a highly unusual surprise visit to his home that day (Xmas Eve) by an IRS Agent who was auditing several of his tax returns.

A second bizarre and disturbing incident occurred on April 25 when a taxpayer in Marion, Ohio received a visit from a man who claimed his name was "Bill Haus" and worked in the IRS Criminal Division.

Mr. Haus said he needed to talk to her about an estate for which she was the fiduciary. She let him in despite having received no prior IRS communication. Mr. Haus claimed she had not properly filled out estate forms and owed the IRS "a substantial amount." Only when the taxpayer presented proof of paying all taxes on the estate did the agent reveal that his visit wasn't about the estate at all. It was about several supposed delinquent tax returns related to the decedent of the estate.

The taxpayer called her attorney, who insisted Mr. Haus leave the house, only to be told by Mr. Haus: "I am an IRS agent, I can be at and go into anyone's house at any time I want to be." Mr. Haus finally left, but not before threatening to freeze the taxpayer's assets and put a lien on her house if she didn't satisfy the balance in a week. Fearing a scam, she called the local police, who ran Mr. Haus' license plate to verify his identity.

When the police officer called Mr. Haus, Mr. Haus identified himself as an IRS agent but said Haus wasn't his real name. He had used an alias. The officer, also suspecting a scam, warned that if he returned to the taxpayer's home he'd be arrested. Mr. Haus then filed a complaint against the Marion police officer with the Treasury Department inspector general.

The taxpayer spoke with Mr. Haus' supervisor on May 4 who clarified that the taxpayer did not owe anything and said that "things never should have gotten this far." Yet, the following day, the taxpayer received a letter addressed to the decedent stating that the decedent was delinquent on several 1040 filings. This was the first and only mail notification the taxpayer received. The taxpayer was again told by the supervisor that nothing was owed and was notified on May 30 that the case was closed.

If true, this is highly irregular. An agent of the Treasury, wielding the power of tax enforcement, shows up unannounced at a taxpayer's home. He lies about his identity and his purpose in order to get inside, then threatens the taxpayer with punishment if she doesn't pay a tax bill that she doesn't owe. The IRS agent leaves only after an intervention by her lawyer, and when local police call the agent, he sics the Treasury Department on the officer.

When asked about this situation, the IRS commissioner has stonewalled and refused to answer questions by a House Committee about this unusual event.

If this happens to you, we suggest you call 911 immediately. *Wall Street Journal* 6/17-18/2023 p. A12.

NYS & NJ Budget Blues

New York State Comptroller, Thomas DiNapoli said state tax collections in April and May ran 32.2% lower than 1 year ago with personal tax revenue lagging 45%. His report follows Governor Kathy Hochul's revised budget forecast projecting a \$36.4 billion shortfall for the next three years. While income tax withholding is increasing as payrolls grow, capital gains have fallen. Albany Democrats exacerbated the state's fiscal reliance on the rich in 2021 when they raised the combined NYS & NYC top rate to 14.8% from 12.7%. Millionaires who have not left the state now pay as much state income tax as the bottom 98.9% of tax filers.

NYS cities will also soon feel the pain in local sales tax collections since the growth has been less than 2% in each of the last three months, which is well below the rate of inflation. No doubt one contributing factor is New York's loss of 525,000 people between 2020 and 2022, NYC lost 468,297 between April 2020 and July 2022, 5.3% of its population.

Yet Albany Democrats this spring boosted spending by \$9 billion in their \$229 billion budget. NYC Mayor Adams reached a generous 5 years labor agreements with 11 government unions with teachers pay increasing by 20% raising the top salary to \$151,271.

Next door in New Jersey, officials reported May's tax revenue declined 20% from a year ago driven by a 55% plunge in the personal income collections and a 44% drop in corporate rate tax collections. Income tax revenue in the current fiscal year that began last July is running 9.2% lower than in the previous year while corporate tax revenue is down 5.7%. For the first time in nearly 3 years, sales tax revenue in May also dropped. Democrats in 2020 raised income taxes and extended a 2.5% corporate surtax. New Jersey's 11.5% top corporate tax rate is the highest in the country. *Wall Street Journal* 6/21/23 p. A16.

Do you think NY and NJ will tighten their belts to solve the shortfall problems or raise taxes on those who remain in the states?

No matter what the states choose to do and what you choose to do we are here to advise you.

As always, if you have any questions about these or any other matters, do not hesitate to call us.