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## **Digital Nomads**

Many remote workers indulged their wanderlust during the Covid Pandemic, taking their laptops and passports to far-flung destinations. Now, many parts of Europe are enticing them to come and stay longer.

Nearly a dozen European countries, from Latvia to Croatia to Iceland, have introduced longer-term visas to attract affluent remote workers from abroad. Others, such as Italy and Spain, have similar plans in the works. Some European cities and villages have also started their own remote worker campaigns as a way to boost their economies. In Spain, for instance, a group called the National Network of Welcoming Villages for Remote Workers helps such workers settle in villages with 5,000 or fewer inhabitants. Its website lets users search participating villages for information on accommodations, Wi-Fi connection speeds and local attractions.

Some workers have taken “work from anywhere” to heart. The number of Americans who identify as digital nomads - meaning those who combine remote work with travel - more than doubled to 15 million in 2021 from 7 million in 2019, according to MBO Partners, which sells support services to independent contractors.

In Pontremoli, a town of 7,300 residents in Italy’s Tuscan hills, two locals founded Start Working Pontremoli in 2020 after watching villagers leave for jobs in bigger cities for years. The group offers welcome services and free tours to remote workers considering resettling there. Once they arrive, it helps them set up meetings with school staff, real-estate agents and local administrators. To date, 14 remote workers have moved to Pontremoli as part of this project.

Some companies are also promoting short term stays to keep sought-after talent happy. This year, Cisco Systems Inc., brought 16 of its European sales people to Venice for three months of remote work as part of the city’s “Venywhere” initiative which aims to attract remote workers.

The U.S. requires its citizens, no matter where they live, to file and pay income tax. Many, though, are eligible for a credit or deduction on foreign income taxes they pay if they live in a country that has a tax treaty with the U.S.

Some countries are trying to smooth out the red tape for digital nomads. Italy aims to start administering visas that will let foreign workers stay beyond the 90 days allowed for tourists, Spain is expected to launch a program that will allow visa stays for up to 5 years.

Malta rolled out a “nomad residence permit” that allows non-European Union remote workers to live on the island for up to 1 year. It has, since then, processed more than 400 applicants. *The Wall Street Journal* 8/17/22 p. A11.

## **The 87,000 New IRS Agents Are Coming For You**

The Inflation Reduction Act contained in its funding for the Internal Revenue Service to hire 87,000 additional IRS Agents and other enforcement personnel and the Administration said these were needed to prevent millionaires, billionaires, and corporations to cheat the system.

This is ridiculous if you know anything about how the IRS conducts audits and raises additional revenue. Fortunately, the Government Accounting Office released a report last spring that shows exactly whom the IRS tends to target.

First, the majority of the money the IRS collects from audits comes from households with incomes below \$200,000. This fact of life has not changed in the past decade, neither with the party affiliation of the occupant of the White House nor with the tax changes that have been enacted over the years. This alone demonstrates the certainty that Biden's new IRS army would look for most of its additional revenue within the much larger pool of middle-income taxpayers, not among the ultrawealthy. When you dig deeper into the numbers, the evidence only gets stronger.

The second most lucrative type of audit for the IRS, in terms of money recovered per man-hour, is the audit of low-income taxpayers who take the earned income credit. Such an audit nets an average of \$3,231 per hour, more than twice as much as the \$1,500 per hour from the average audit of households earning between \$500,000 and \$5 million. This is why households in the under \$25,000 income category are more than twice as likely to be audited as households making between \$25,000 and \$200,000.

It is true that audits of greater than \$5 million annual earners are marginally more lucrative than audits of the poor, but they only net about \$4,800 per man-hour. This is because those audits require, on average, 60 man-hours, and they are about four times as likely to result in no change to the taxpayer's bill as are the audits of households earning less than \$200,000. It turns out that rich people have LAWYERS and TAX EXPERTS and are far more likely than anyone else to have a BULLET-PROOF tax return.

The biggest problem with leaning on high-earners to close the tax gap is that there are only 64,000 households that make \$5 million or more per year. If Biden's 87,000 new agents were all auditors and they spent all their time auditing every one of those high earners, it would take them just over one work week and net only \$18 billion. That is a fraction of the \$70 billion the Democrats claimed they would raise when they voted to give the IRS the additional resources. The Democrats are convinced that taxpayers are hoarding the \$70 billion by underreporting tips, crypto sales, and side hustle income and they want their cut.

As the data shows, the IRS has strong incentives to come especially hard after people with the lowest incomes because that is the largest pool in which to fish efficiently for tax dollars. This is why the IRS conducted nearly 100 times as many audits of downscale earned income tax credit claimants in 2019 as it did of households making more than \$1 million. *Washington Examiner* 1/17/2023 p. 2.

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