

IRS Criminal Investigation Division Continues to Face Core Mission Challenges Due to Budget Cuts

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This week, the ***Internal Revenue Service (IRS)*** Criminal Investigation Division (CID) **released its annual report for 2016**, continuing a message sent for several years now: that IRS CID's staffing declines are affecting its core mission tax work. Core mission tax work is distinguished from other types of IRS CID investigations—such as terrorism or health care fraud—where tax elements are not the central focus of the investigation. Over the past four years, since 2012, the division has lost 447 agents, and this loss has resulted in a decline in “core mission” prosecutions (485 fewer cases than in 2012).

Despite these challenges, IRS CID continues to possess a high success rate, with an incarceration rate at or around 80 percent for at least the last 4 years. In 2016, IRS CID initiated 3,395 investigations, down from 5,314 in 2013. Of those, 2,699 were sentenced, with an average sentence of 41 months.

Point: The 2016 annual report is yet more documentation of the long-term decline in IRS CID investigations; however, practitioners and taxpayers cannot count on this trend continuing in the new administration. In his confirmation hearings, Steven Mnuchin, the new Treasury Secretary expressed concern about lowered IRS staffing levels overall, but it is unclear whether these comments will result in substantive changes to reverse this trend. In this report, IRS CID is sending a clear message that budget restrictions and staffing attrition are impacting the division's core mission of encouraging voluntary compliance through criminal deterrence.

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