

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Criminal Investigation Trends From Fiscal Year 2019 Through Fiscal Year 2023

June 18, 2025

Report Number: 2025-3S0-028

HIGHLIGHTS: Criminal Investigation Trends From Fiscal Year 2019 Through Fiscal Year 2023

Final Report issued on June 18, 2025

Report Number 2025-3S0-028

Why TIGTA Did This Review

IRS Criminal Investigation (CI) investigates potential criminal violations of the Internal Revenue Code and related financial crimes to foster confidence in the tax system and compliance with the law.

The overall objective of this review was to provide statistical information and trend analyses of CI enforcement activities for Fiscal Year (FY) 2019 through FY 2023.

Impact on Tax Administration

This report is a compilation of statistics reported by CI. The data in this report provide taxpayers and stakeholders with information about how CI uses its compliance resources and the impact of those resources on revenue and compliance over time. CI's primary resource commitment is to develop and investigate tax cases. Prosecuting these cases is key to supporting the IRS's overall compliance goals of improving voluntary compliance with the tax laws and promoting fairness and equity in our tax system. In addition, CI uses media and other outreach opportunities to deter financial crime and improve voluntary tax compliance.

What TIGTA Found

CI's resources increased from FY 2019 through FY 2023. Specifically, CI's budget increased \$201 million (35 percent), from \$578 million in FY 2019 to \$779 million in FY 2023. CI's staffing also increased during this period, which resulted in more investigations initiated during the period. However, the number of special agents and investigations have not reached the levels we previously observed for FY 2012 through FY 2016. As of March 20, 2025, CI special agent staffing has been minimally impacted by the government-wide cost cutting efforts in Calendar Year 2025.

The IRS initially received \$79.4 billion from the Inflation Reduction Act. However, as of March 2025, Congress subsequently reduced IRA funding to \$37.6 billion. IRA funds specifically used by CI for FY 2023 included approximately \$31 million in investigative technology and more than \$500,000 for training. In FY 2024, CI used approximately \$176 million in IRA funds including expenses for investigative technology and labor.

While CI's top priority is the investigation of tax law violations, these investigations declined from 60 percent of total-initiated investigations in FY 2019 to 53 percent in FY 2023.

General Fraud, one of the top program areas, increased 32 percent from FY 2019 through FY 2023, largely due to investigations of fraud and false claims related to the Coronavirus Aid, Relief, and Economic Security Act.

The number of international investigations completed decreased by 36 percent from 299 in FY 2019 to 191 in FY 2023. CI management explained that the effects of the pandemic impacted coordination with other countries.

Several other concerning trends were observed during this review period. For example, the number of individuals sentenced for refund fraud under the IRS's Questionable Refund Program and the Return Preparer Program declined by 68 percent and 13 percent, respectively.

We made no recommendations in this report. IRS officials were provided an opportunity to review the draft report and did not provide any comments.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20024

June 18, 2025

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

A handwritten signature in black ink that reads "Diana M. Tengesdal".

FROM: Diana M. Tengesdal
Acting Deputy Inspector General for Audit

SUBJECT: Final Report – Criminal Investigation Trends From Fiscal Year 2019
Through Fiscal Year 2023 (Review No.: 202430S027)

This report presents the results of our review of Criminal Investigation trends from Fiscal Year 2019 through Fiscal Year 2023. We performed this review during the period June through November 2024. We are issuing this report to provide statistical information and trend analyses of Criminal Investigation's enforcement activities for this time period. This review is part of our Fiscal Year 2025 Annual Audit Plan and addresses the major management and performance challenge of *Tax Compliance and Enforcement*.

Although we made no recommendations in this report, we provided Internal Revenue Service (IRS) officials with an opportunity to review the final report. IRS management did not provide us with any comments. If you have questions, please contact me or Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations).

Background

Enforcement of the tax law fosters compliance and preserves the integrity of the tax system. The Internal Revenue Service's (IRS) Criminal Investigation (CI) investigates three primary areas of the United States Code (U.S.C.):

- Title 18 (Crimes and Criminal Procedure – Money Laundering).
- Title 26 (Internal Revenue Code - Tax-Related).¹
- Title 31 (Money and Finance - Bank Secrecy Act).

CI pursues its mission by conducting investigations and referring the findings to the Department of Justice (DOJ) for prosecution.

The CI mission is to serve the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. Conducting criminal enforcement processes often requires the IRS to work in conjunction with other federal agencies such as the DOJ's Tax Division, the offices of the U.S. Attorney, the Drug Enforcement Administration, and other law enforcement agencies such as the Federal Bureau of Investigation. Federal Rules of Criminal Procedure govern criminal investigation activities.

The DOJ's Tax Division is responsible for prosecuting all criminal tax offenses. Prosecuting these cases supports the IRS's overall compliance goals of enhancing voluntary compliance with the tax laws and promoting fairness and equity in our tax system. In addition, CI uses media and other outreach opportunities to deter financial crime and enhance voluntary tax compliance. The number of subject investigations opened from Fiscal Year (FY) 2019 through FY 2023 increased by 8 percent from 2,485 to 2,676.² Overall, there were a total of 12,896 subject investigations initiated during those years.

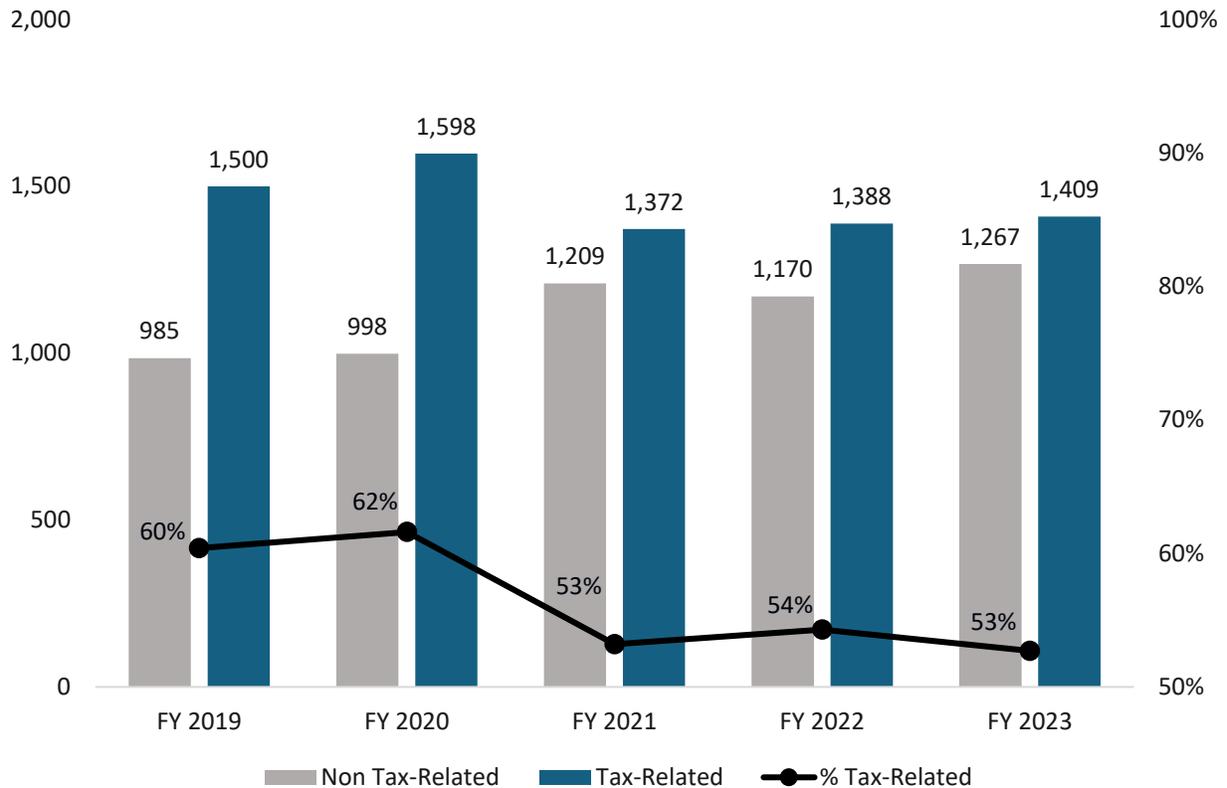
Tax and nontax-related investigations

CI investigations can involve tax and/or nontax-related crimes. Tax-related investigations involve an alleged tax violation under the Internal Revenue Code (Title 26). Nontax-related investigations are all other investigations, such as public corruption. From FY 2019 through FY 2023, the percentage of tax-related investigations remained above 52 percent of total investigations. Figure 1 shows the number of subject investigations initiated each fiscal year for both types of violations.

¹ See Appendix I for a glossary of terms.

² CI also performs primary investigations, which are preliminary in nature and elevated to a subject investigation when there is sufficient evidence that an individual or entity engaged in criminal conduct and that there is prosecution potential.

Figure 1: Tax-Related Investigations Initiated as a Percentage of Total Investigations Declined From FY 2019 Through FY 2023



Source: Criminal Investigation Management Information System Report.

Compliance strategy programs

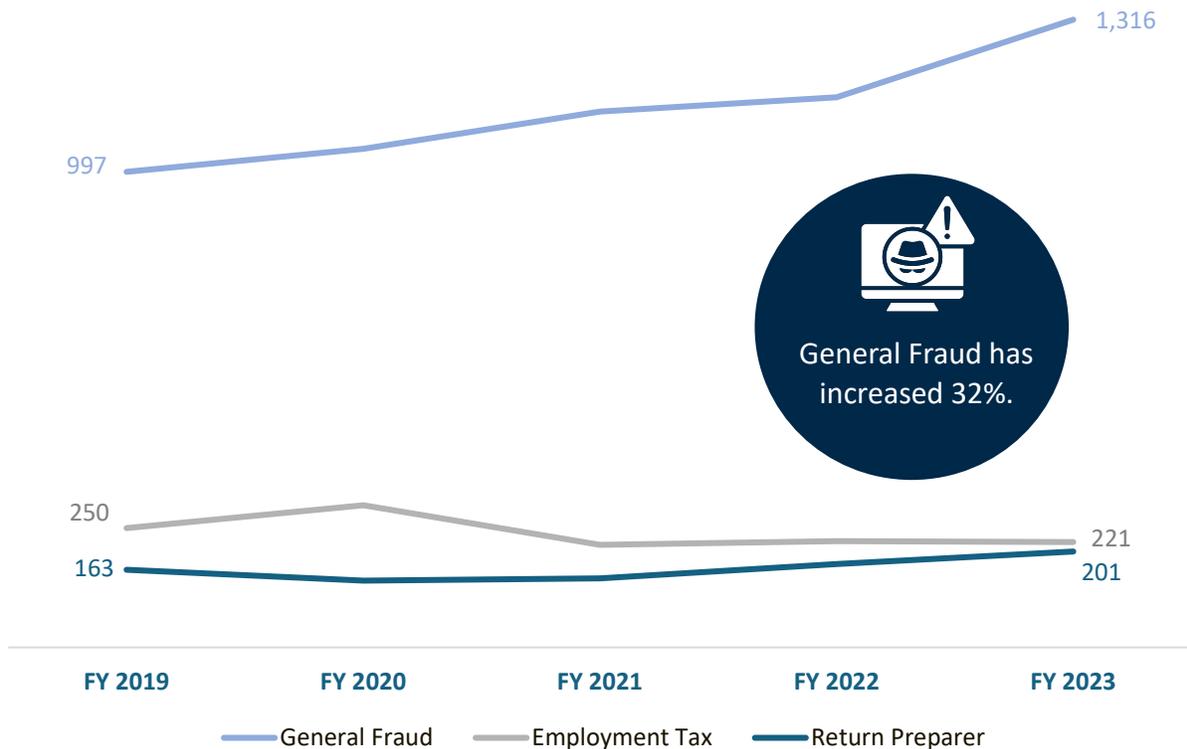
All of CI's investigations fall into three independent compliance strategies.

1. **Legal source tax crimes:** Crimes involving legal industries and occupations and legally earned income associated with the violation of Title 18 (tax-related violations) and Title 26 (tax violations) of the U.S.C. CI is generally the sole investigative federal agency in legal source cases.
2. **Illegal source financial crimes:** Crimes involving all tax and tax-related violations, as well as money laundering and currency violations under the following statutes: Title 18 (tax-related and money laundering violations); Title 26 (tax violations); and Title 31 (currency violations) of the U.S.C. CI may investigate tax, nontax, or a combination of crimes, and may be the sole investigative agency or work with one or more other federal agencies in illegal source cases. The use of forfeiture statutes to deprive individuals and organizations of illegally obtained assets is also linked to the investigation of criminal charges within this category.
3. **Narcotics-related financial crimes:** Crimes involving tax and money laundering related to narcotics and drug trafficking. CI derives authority for this category from Title 18 (tax-related and money laundering violations); Title 26 (tax violations); and Title 31 (currency violations) of the U.S.C. CI also devotes resources to high-level multiagency narcotics investigations warranting Organized Crime Drug Enforcement Task Force

designation in accordance with Organized Crime Drug Enforcement Task Force Program reimbursable funding.

Within the legal and illegal source crimes compliance strategy programs are 15 areas. Three of the 15 program areas (General Fraud, Employment Tax, and Return Preparer) for FY 2023 represent 81 percent (1,738 of a total of 2,148 cases) of the legal and illegal source crime cases initiated. Figure 2 shows the number of subject investigations initiated for FY 2019 through FY 2023 for the three program areas.

Figure 2: General Fraud and Return Preparer Investigations Increased From FY 2019 Through FY 2023 While Employment Tax Investigations Decreased

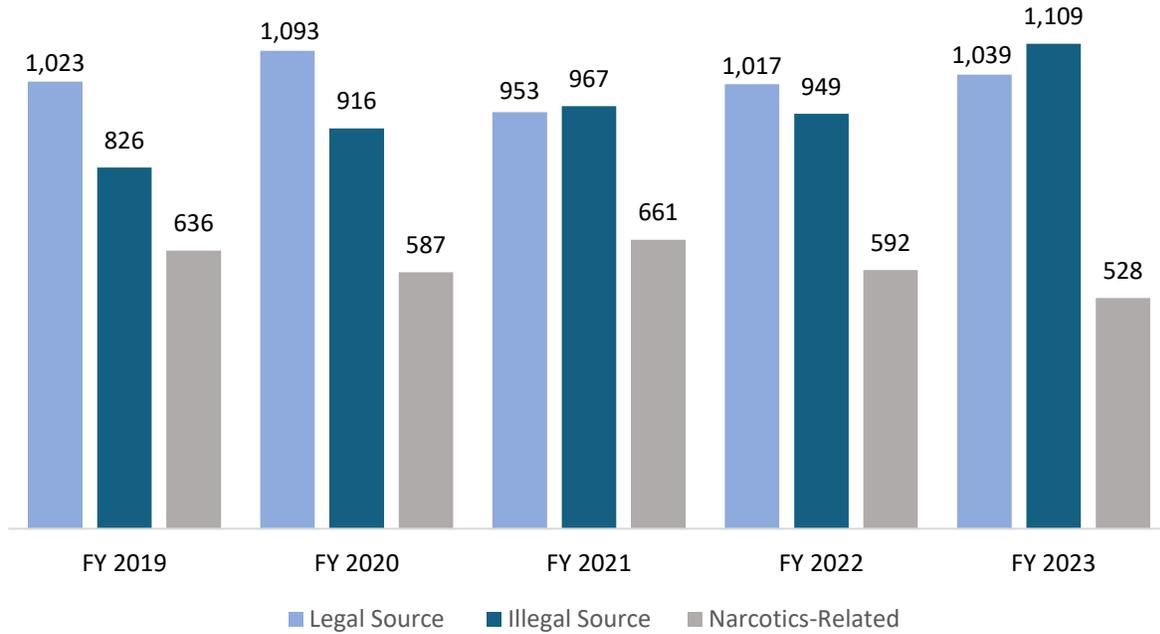


Source: Criminal Investigation Management Information System Report (Summary by Program Area).

General Fraud, one of the top program areas, increased 32 percent from FY 2019 through FY 2023, largely due to investigations of fraud and false claims related to the Coronavirus Aid, Relief, and Economic Security Act.³ Figure 3 shows the number of subject investigations initiated from FY 2019 through FY 2023 by the compliance strategy program.

³ Pub. L. No. 116-136, 134 Stat. 281 (2020) (codified as amended in scattered sections of 2, 5, 12, 15, 20, 21, 29, 42, and 45 U.S.C.).

Figure 3: Illegal Source Subject Investigations Initiated Increased Significantly From FY 2019 Through FY 2023



Source: Criminal Investigation Management Information System Report (Summary by Program Area).

Figure 3 shows a notable 34 percent increase in illegal source investigations opened between FY 2019 (826) and FY 2023 (1,109) with the majority attributed to pandemic-related fraud. Overall, CI opened 8 percent more investigations during the period.

Emphasis areas

Emphasis areas are categories given to investigations that provide CI leadership with additional operational information. Approximately 59 percent of CI’s subject investigations opened in FY 2023 involved 1 or more emphasis areas. Emphasis areas can span multiple compliance strategy programs and can overlap each other.

For example, international investigations can be categorized in any subprogram area. An investigation into a foreign bank helping a U.S. taxpayer to evade taxes would fall into the financial institution fraud program area. However, because there is an international component, it would also satisfy the international emphasis area. Figure 4 shows subject investigations opened for FY 2019 through FY 2023 for all CI emphasis areas (these are the emphasis areas as of FY 2019).

Figure 4: Total Emphasis Area Investigations Increased From FY 2019 Through FY 2023

Emphasis Area	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Bank Secrecy Act	424	489	473	544	511
Identity Theft	93	124	145	101	137
International	214	242	172	163	147
Money Laundering	856	838	1,050	962	955
Nonfiler	271	279	243	260	251
Total Emphasis Area Investigations	1,858	1,972	2,083	2,030	2,001
Unique Investigation With One or More Emphasis Area ⁴	1,471	1,551	1,652	1,590	1,590
Total Initiations	2,485	2,596	2,581	2,558	2,676
Percentage of Emphasis Area Investigations	59%	60%	64%	62%	59%

Source: Criminal Investigation Management Information System Report (Summary by Program Area).

Apart from international and nonfiler investigations, all emphasis areas increased from FY 2019 through FY 2023. In FY 2021, identity theft and money laundering investigations were the only emphasis areas that increased from FY 2020. Specifically, CI opened 145 identity theft investigations, an increase of 17 percent, and CI opened 1,050 money laundering investigations an increase of 25 percent. Overall, there were around 2,000 total emphasis area investigations initiated each fiscal year during the time period we reviewed.

Generally, CI is initiating fewer investigations compared to our previous CI trends report that reviewed FY 2012 through FY 2016. During that time period, CI initiated between 3,400 and 5,300 investigations each year.⁵

Objective

The overall objective of this review was to provide various statistical information and trend analyses of CI’s enforcement activities for FY 2019 through FY 2023. As previously noted, we conducted a similar review in FY 2017 covering FY 2012 through FY 2016. The data presented in this report provide taxpayers and stakeholders with information about how CI uses its compliance resources and the impact of those resources on revenue and compliance over time.

⁴ The total identifies the count of unique investigations with one or more emphasis areas. The emphasis areas may include investigations that overlap and allow potential double- and triple-counting.

⁵ TIGTA, Report No. 2017-30-073, [Declining Resources Have Contributed to Unfavorable Trends in Several Key Criminal Investigation Business Results](#) (September 2017).

Results of Review

During an investigation, special agents must determine if there is sufficient evidence of criminal activity to prove all elements of a crime. CI may drop an investigation because of insufficient tax losses or insufficient evidence to prove all elements of a crime. According to CI, faster referral times were largely due to the pandemic, which resulted in an increase in the number of Title 18 and illegal source investigations which normally have shorter cycle times to complete. The average number of days it took CI to refer cases for prosecution decreased by 14 percent from FY 2019 to FY 2023, from 355 to 304 days.

CI's resources increased from FY 2019 through FY 2023. Specifically, CI's budget increased approximately 35 percent, from \$578 million in FY 2019 to \$779 million in FY 2023. CI's staffing also increased during this period, which may have contributed to an upward trend in initiated investigations from FY 2019 through FY 2023.

The IRS initially received \$79.4 billion from the Inflation Reduction Act. However, as of March 2025, Congress subsequently reduced IRA funding to \$37.6 billion.⁶ IRA funds specifically used by CI for FY 2023 included approximately \$31 million in investigative technology and over \$500,000 in funds for training. However, the IRS stated that no IRA funds were directly used to hire CI special agents for FY 2022 or FY 2023. CI used approximately \$176 million of IRA funds in FY 2024. According to CI, the two primary areas of emphasis for IRA funding were investigative technology and labor expenses.

CI's top priority is investigating tax law violations; however, these investigations declined from 60 percent of all investigations in FY 2019 to 53 percent in FY 2023. Investigations of General Fraud increased by 32 percent over the same time period, mostly due to investigations related to the Coronavirus Aid, Relief, and Economic Security Act. In addition, there were 299 international investigations completed for FY 2019 and 191 international investigations completed for FY 2023. Completed international investigations declined because the pandemic made it difficult to coordinate with other countries.

Additional Funding Resulted in More Special Agents and a Corresponding Increase in the Number of Investigations

CI's budget increased \$201 million from \$578 million in FY 2019 to \$779 million in FY 2023 (35 percent). Figure 5 shows budget amounts from FY 2019 through FY 2023.

⁶ The Fiscal Responsibility Act of 2023 (Pub. L. No. 118-5, 137 Stat. 10) rescinded \$1.4 billion; the Further Consolidated Appropriations Act, 2024 (Pub. L. No. 118-47, 138 Stat. 460) rescinded \$20.2 billion; and the Full-Year Continuing Appropriations and Extensions Act, 2025 (Pub. L. No. 119-4) rescinded another \$20.2 billion.

Figure 5: CI Budget Increased From FY 2019 Through FY 2023

FY	Budget	Dollar Change from Prior Fiscal Year
2019	\$578M	---
2020	\$611M	\$33M
2021	\$644M	\$33M
2022	\$729M	\$85M
2023	\$779M	\$50M
	Total	\$201M

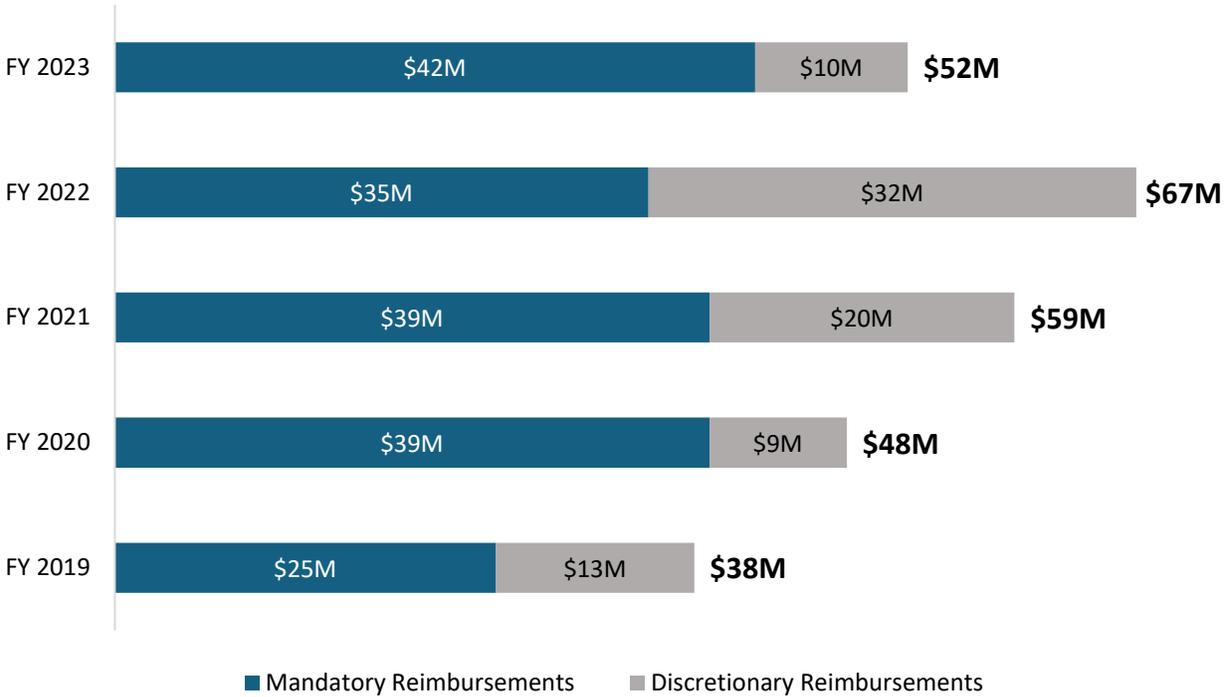
Source: IRS Chief Financial Officer. M = million.

CI can also request reimbursement from the Treasury Forfeiture Fund. Reimbursements can include mandatory expenses relating to the Asset Seizure and Forfeiture Program or discretionary uses including requests from the Secretary of the Treasury’s Enforcement Fund and Super Surplus Funds.⁷ Common reimbursable transactions include travel, training, natural disaster assistance, labor costs, and contract services for support of forfeiture investigations. Reimbursements from the Treasury Forfeiture Fund fluctuated between \$38 million and \$67 million over the last 5 fiscal years.

As shown in Figure 6, overall reimbursements increased from \$38 million in FY 2019 to \$67 million in FY 2022, then they declined \$15 million from FY 2022 to FY 2023.

⁷ The Treasury Forfeiture Fund represents the remaining unobligated balance after an amount is reserved for Treasury Forfeiture Fund operations in the next fiscal year. Super Surplus Funds can be used for authorized law enforcement purposes as prescribed within the federal law enforcement agency’s policies.

Figure 6: Amounts Reimbursed From the Treasury Forfeiture Fund to CI During FY 2019 Through FY 2023



Source: IRS Chief Financial Officer and TIGTA's analysis of data provided by CI. M = Million.

The number of investigations increased because there were more special agents available to work inventory

Figure 7 shows the net gain/(loss) of special agents from FY 2019 through FY 2023.⁸

⁸ Attrition is any loss from the Criminal Investigation job series: retirement, separation, termination, change to another job series, etc.

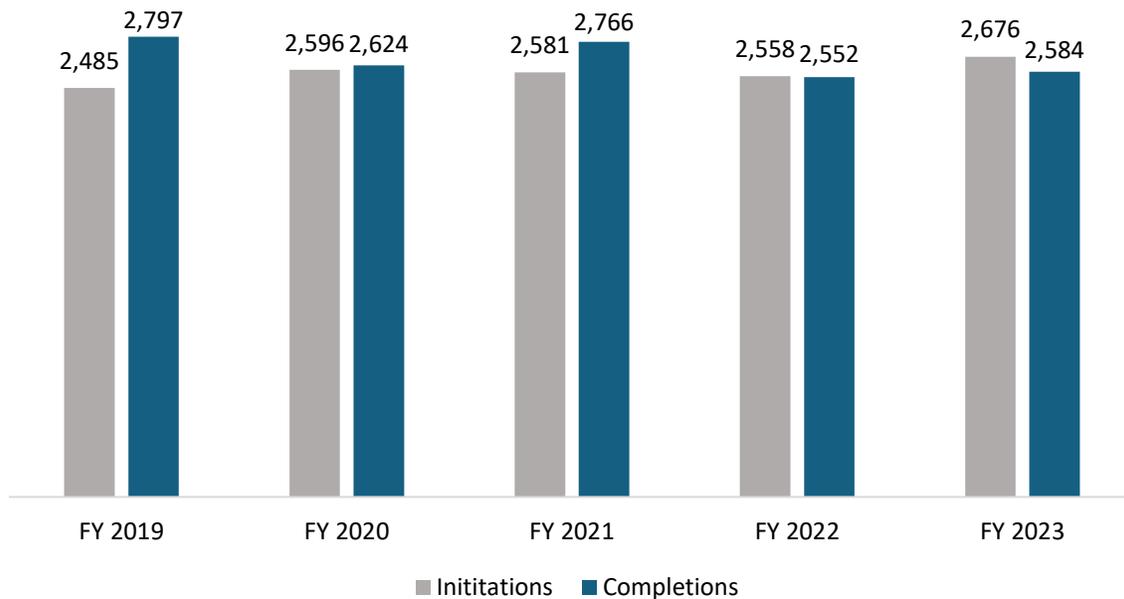
Figure 7: Total Special Agent Net Gain/(Loss) for FY 2019 Through FY 2023⁹

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
Agent Hiring	116	140	169	176	219	820
Agents Lost to Attrition	(134)	(111)	(147)	(145)	(150)	(687)
Net Gain/(Loss)	(18)	29	22	31	69	133
Total Special Agents at End of Fiscal Year ¹⁰	2,001	2,027	2,044	2,074	2,142	NA
Field Special Agents at End of Fiscal Year	1,779	1,793	1,795	1,795	1,844	NA

Source: IRS Chief Financial Officer.

The increase in special agents likely contributed to an increase in investigations during the same time period. CI started 2,676 investigations during FY 2023, an 8 percent increase from FY 2019. However, completed investigations dropped 8 percent from 2,797 in FY 2019 to 2,584 during FY 2023. Figure 8 shows the number of opened and completed investigations over the past five fiscal years.

Figure 8: The Number of Investigations Initiated Increased From FY 2019 Through FY 2023 While Completed Investigations Decreased



Source: Criminal Investigation Management Information System Report (CI Summary Statistics).

⁹ The totals in this table may not reconcile year to year due to exclusions of permanent employees who are temporarily off-rolls due to leave without pay, military duty absence, and other similar reasons.

¹⁰ The number of total special agents each fiscal year includes the number of field special agents. Field special agents plan and conduct investigations relative to criminal statutes of tax administration, financial crimes, and other related offenses, which vary in levels of complexity and scope. Special agents not assigned to a CI field office and do not work cases are in management or a senior analyst role.

According to CI management, the 8 percent decrease in completed investigations can be attributed to fewer open investigations from prior years.

Although the number of field special agents increased during the period from FY 2019 through FY 2023 with a high of 1,844 for FY 2023, the number of field special agents has not reached levels observed from our previous CI trends review. The previous review stated that CI had field special agents on staff at the end of the fiscal year ranging from a high of 2,336 for FY 2012 to a low of 1,911 for FY 2016 which is still above the high of 1,844 for FY 2023 noted in Figure 7.

The number of CI investigations increased due to expanded hiring authority for special agents. However, CI investigations remain lower than levels we observed in previous similar reviews.¹¹ For example, the total subject investigations initiated and completed for FY 2016 were 3,395 and 3,721, compared to 2,676 and 2,584 in FY 2023, respectively.

The number of special agents continued to increase in subsequent years after FY 2023. CI has hired a total of 495 special agents since the end of FY 2023. In January 2025, a Presidential Memorandum implemented a hiring freeze and subsequently commenced deferred resignation and early retirement initiatives for federal employees. In February 2025, the IRS began reductions in force and reorganization plans as part of a federal-wide effort to shrink government. The IRS also began employment actions related to the removal of probationary employees.¹² However, as of March 20, 2025 CI special agent staffing has been minimally impacted by the federal-wide effort to shrink government.

Overall, investigations generally increased during this review period

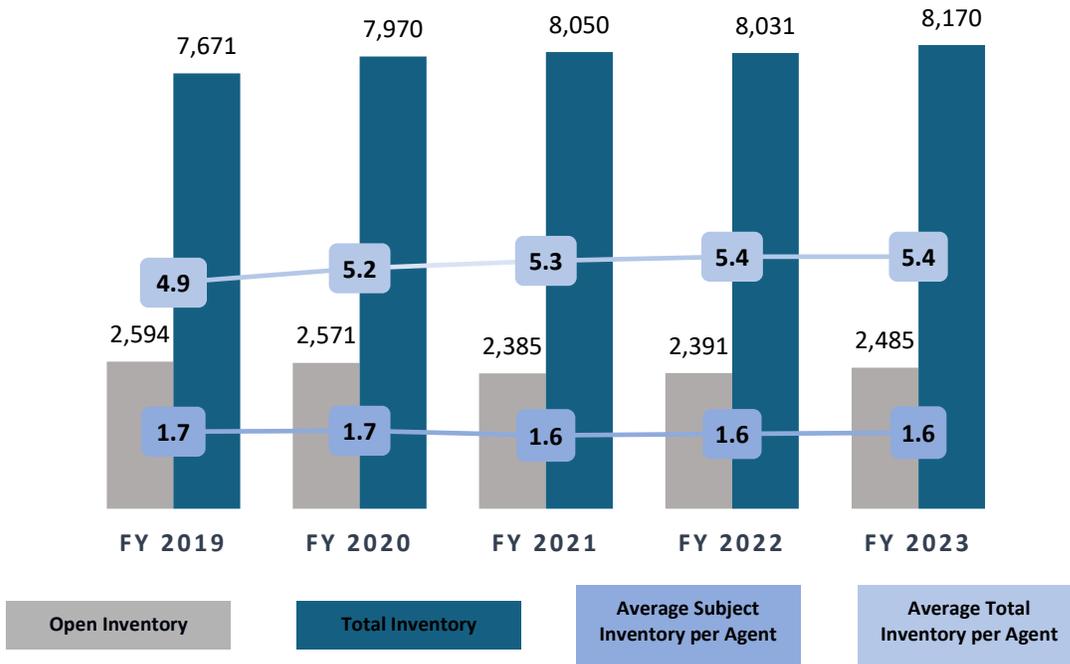
CI monitors average inventory of open subject investigations per special agent and the average total inventory per special agent. Figure 9 shows that the average open subject inventory has remained steady, and the average total inventory per special agent increased by 10 percent from 4.9 to 5.4.¹³

¹¹ TIGTA, Report No. 2017-30-073, [Declining Resources Have Contributed to Unfavorable Trends in Several Key Criminal Investigation Business Results](#) (September 2017).

¹² Presidential Memorandum, *Hiring Freeze, Memorandum for Heads of Executive Departments and Agencies*, 90 FR 8247 (January 20, 2025); Executive Order 14158, *Establishing and Implementing the President's "Department of Government Efficiency"* (January 20, 2025); Executive Order 14217, *Commencing the Reduction of the Federal Bureaucracy* (February 19, 2025).

¹³ The total inventory calculation includes primary investigations, open subject investigations, and judicial process (pipeline) inventory.

Figure 9: The Number of Open Subject Investigations, the Total of All Investigations, and the Average Inventory per Special Agent for FY 2019 Through FY 2023



Source: CI's analysis of the Criminal Investigation Management Information System.

A primary investigation is an evaluation of an allegation that an individual or entity is not following Internal Revenue and other federal laws. When cases have prosecutorial potential, primary investigations become a subject investigation. The judicial process (pipeline) inventory includes cases where CI has made criminal prosecution recommendations, and the DOJ has either: 1) not declined the case for prosecution, or 2) not yet completed the legal process to arrive at a conviction, acquittal, or dismissal in court.

CI's Annual Business Plans have consistently reported that legal source tax investigations are a top investigative priority. Accordingly, General Fraud investigations represent the highest percentage of investigations and are the backbone of CI's enforcement program. These investigations address tax evasion and tax fraud schemes and can influence the public's compliance with tax laws. In FY 2023, these investigations made up 49 percent of all initiations compared to 40 percent in FY 2019.

CI tax-related investigative time goals were reached in all five fiscal years

From FY 2019 through FY 2023, CI had a goal to spend a certain percentage of direct investigative time on total tax-related investigations. The total tax-related investigative goal ranged between 68 and 72 percent during the 5 years we reviewed. In comparison, the goal for legal source tax investigations ranged between 50 and 52 percent. Our review found CI met these goals in all five fiscal years.

International investigations declined

CI opened 214 international investigations in FY 2019, which represented 9 percent of total investigations. By FY 2023, these investigations had declined to 147, or 5 percent of the total.

- According to the IRS, in FY 2019, 169 investigations were opened from the 3 largest sources:
 - 76 (36 percent) of 214 cases – U.S. Attorney’s Offices.
 - 70 (33 percent) of 214 cases – other federal agencies.
 - 23 (11 percent) of 214 cases – suspicious activity reports.
- According to the IRS, in FY 2023, 104 investigations were opened from the 3 largest sources:
 - 33 (22 percent) of 147 cases – U.S. Attorney’s Offices.
 - 59 (40 percent) of 147 cases – other federal agencies.
 - 12 (8 percent) of 147 cases – suspicious activity reports.

Additionally, Figure 10 shows that international investigations during this period were primarily violations of Title 18 (tax-related and money laundering violations); Title 26 (tax violations); and Title 31 (currency violations) of the U.S.C.

Figure 10: Title Violations of International Investigations Initiated for FY 2019 and FY 2023

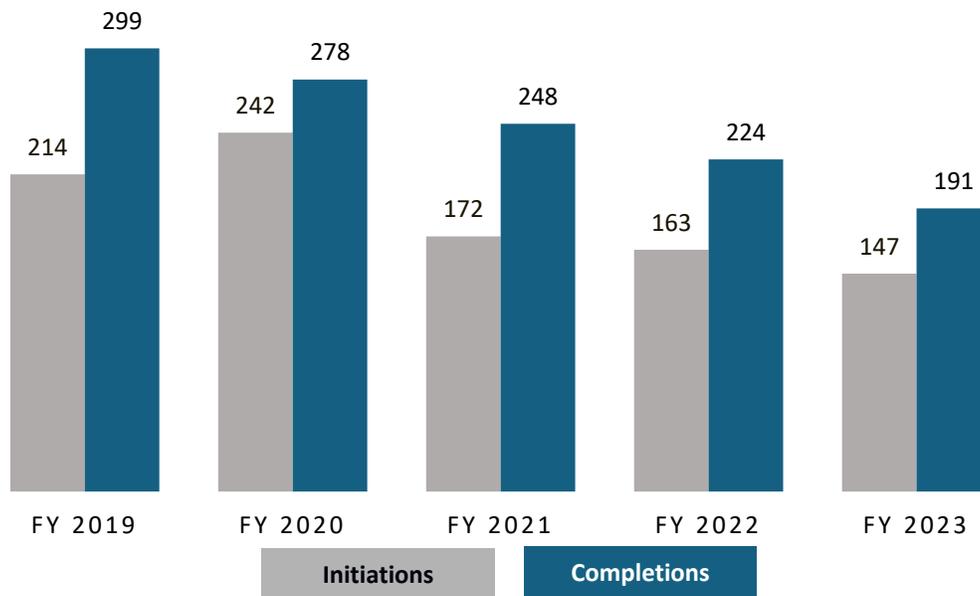
Title Violations for International Investigations Initiated	FY 2019	FY 2023	Change Between FYs 2019 and 2023
Title 18	138	103	-25%
Title 26	66	43	-35%
Title 31	2	1	-50%
Unknown ¹⁴	8	N/A	N/A

Source: Analysis of Criminal Investigation Management Information System data provided by CI.

Figure 11 shows that the volume of international investigations opened and completed has generally declined during the FY 2019 through FY 2023 period.

¹⁴ The eight unknown investigations for FY 2019 are a consequence of being unable to update the data due to the retention policy regarding FY 2019 data. The September 2019 snapshot was removed due to the IRS CI’s five-year retention policy for legacy snapshot data.

Figure 11: Volume of International Investigations Initiated and Completed Decreased From FY 2019 Through FY 2023



Source: Criminal Investigation Management Information System Report (Summary by Program Area).

Overall, completed international investigations decreased 35 percent to 191 in FY 2023. CI management stated that these investigations are complex and involve coordination with international partners and attachés, and that the necessary coordination was impacted because of the pandemic.

The declines in the number of international investigations initiated from FY 2019 through FY 2023 reverse a trend observed in our previous review where international investigations were increasing in that there were 221 international investigation initiations and 311 completions in FY 2016.¹⁵

Employment tax investigations

Employment tax investigations initiated from FY 2019 through 2023 decreased by 12 percent. However, recommended prosecutions increased 11 percent and sentencing increased 106 percent during the same time.

Figure 12 compares the employment tax investigation results for FYs 2019 and 2023.

¹⁵ TIGTA, Report No. 2017-30-073, [Declining Resources Have Contributed to Unfavorable Trends in Several Key Criminal Investigation Business Results](#) (September 2017).

Figure 12: Results of Employment Tax Investigations for FY 2019 and FY 2023

Employment Tax Investigations and Enforcement Results	FY 2019	FY 2023	Change From FYs 2019 and 2023
Investigations Initiated	250	221	-12%
Prosecution Recommendations	104	115	11%
Sentenced	50	103	106%
Incarceration Rate	84%	84%	0%
Average Months to Serve	23	20	-13%

Source: Analysis of Criminal Investigation Management Information System data provided by CI.

Employers are required to pay certain employment taxes and collect and remit certain payroll taxes on behalf of their employees. The willful failure to remit taxes to the IRS collected from employees is a criminal offense. When employers willfully fail to collect, account for, and deposit with the IRS employment tax due, they are stealing from their employees and the federal government.

In addition, employers who willfully fail to comply with their obligations are gaining an unfair competitive advantage. In April 2024, we reported that CI’s Nationally Coordinated Investigations Unit began identifying Ghost Employers in November 2017. CI applied filters that can indicate potential criminal activity. This process was frequently refined and resulted in 354 leads.

Intentional violations of the tax law can result in prison sentences. Federal law provides that any person required to collect, account for, and pay over tax who willfully fails to do so can face prison or fines. From FYs 2019 through 2023, the incarceration rate remained at 84 percent. Prison sentences decreased on average from 23 months to 20 months.

While there was a decline in the number of employment tax investigations initiated during the FY 2019 through FY 2023 period, the overall trend from our previous review is favorable, wherein 148 employment tax fraud investigations were initiated in FY 2012 and 137 employment tax fraud investigations were initiated in FY 2016. The increase in employment tax cases from our previous CI trends review reflects an increased emphasis on employment tax fraud.

Criminal Investigation Relies on a Variety of Internal and External Sources for Investigations

CI opens investigations from different sources including both within and outside of the IRS. Within the IRS, sources include:

- Fraud referrals from the operating divisions.
- CI’s Questionable Refund Program (QRP) and Return Preparer Program (RPP).
- Currency Transaction Reports.¹⁶

¹⁶ I.R.C. § 6050I, providing that currency transactions in excess of \$10,000 must be reported to the government.

Figure 13 summarizes internal and external sources of investigations opened.

Figure 13: Comparison of CI Initiations by Source for FY 2019 and FY 2023¹⁷

Source	FY 2019 Subject Criminal Investigations Initiated		FY 2023 Subject Criminal Investigations Initiated	
	Count of Initiations	Percentage of Initiations	Count of Initiations	Percentage of Initiations
U.S. Attorney’s Offices and Other Government Agencies	1,466	59%	1,459	55%
IRS	534	21%	659	25%
Currency Transactions	299	12%	373	14%
Public	185	7%	185	7%
Total Initiations	2,484	100%	2,676	100%

Source: Analysis of Criminal Investigation Management Information System data provided by CI.¹⁸

Compared with our previous CI trends review, the percentage breakdown of initiations by source was similar to this year’s review in that FY 2016’s initiations were:

- 64 percent U.S. Attorney’s Offices and Other Government Agencies (2,173 initiations).
- 19 percent from the IRS (631 initiations).
- 8 percent from Currency Transaction reports (286 initiations).
- 7.5 percent from the public (253 initiations).
- 1.5 percent from other sources (52 initiations).

However, the total number of initiations for FY 2023 (2,676) is unfavorable when compared to 3,395 initiations for FY 2016.

Fraud referrals from various IRS functions declined

CI relies on fraud referrals from the IRS’s civil enforcement functions such as the Small Business/Self-Employed and Large Business and International Divisions to identify potential cases. Figure 14 summarizes the fraud referrals received and accepted for FYs 2019 and 2023.

¹⁷ Due to rounding, numbers may not add up to 100 percent.

¹⁸ The FY 2019 data may not always reconcile to total previously reported initiation numbers because of changes in Source Descriptions and Violations in later fiscal years. The data could not be updated to resolve these issues because the September 2019 snapshot was removed due to IRS CI’s five-year retention policy for legacy snapshot data.

Figure 14: CI Fraud Referrals Received and the Acceptance Rate Decreased From FY 2019 Through FY 2023

Fraud Referrals and Acceptance	FY 2019	FY 2023	Change Between FYs 2019 and 2023
Fraud Referrals Received	242	157	-35%
Acceptance Rate	73%	68%	-5%

Source: Analysis of CI's Business Performance Review reports.

According to CI, the decline is outside of CI's control because it relies on other IRS operating divisions to make fraud referrals.

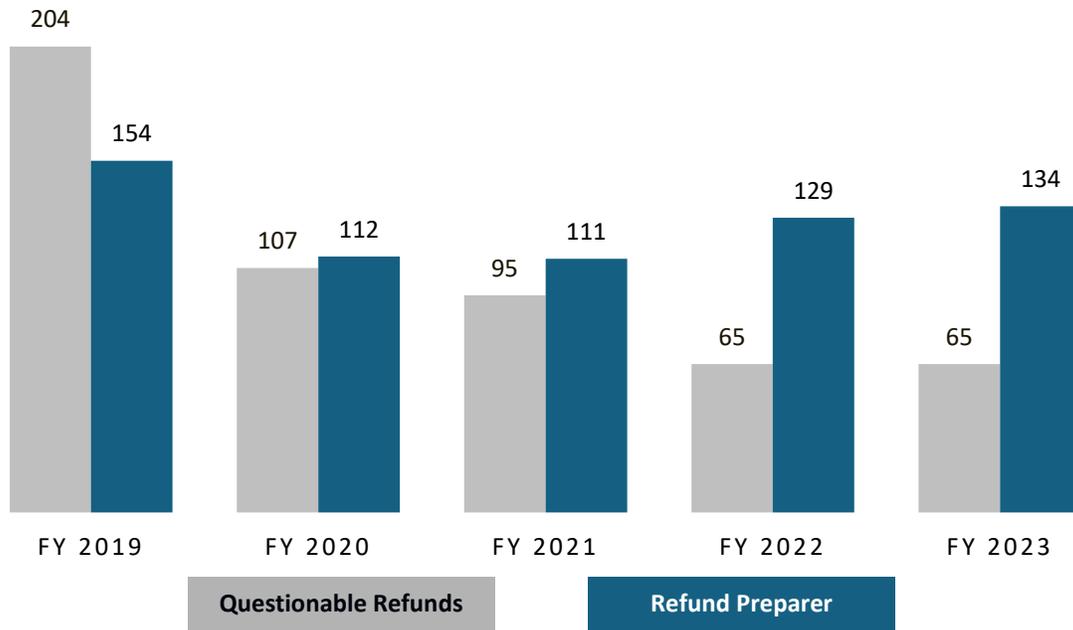
The decline in the number of internal fraud referrals observed for FY 2019 through FY 2023 continues the unfavorable decrease in referrals observed from our previous CI trends review, when 589 fraud referrals were received in FY 2012 (with an acceptance rate by CI of 67 percent) and 328 fraud referrals received in FY 2016 (with a CI acceptance rate of 66 percent).¹⁹

The Number of Individuals Sentenced for Refund Fraud Cases Decreased, but Overall Investigations Increased

Refund fraud poses a significant threat to the tax system. Filing a fraudulent tax return reduces funds for vital government programs and affects taxpayers' confidence in the tax system and their willingness to meet their filing obligations. CI's Refund Fraud Program includes the QRP and the RPP. The focus of the QRP is to identify and prosecute those that file fraudulent claims for tax refunds. Some of the schemes involve individuals filing multiple false tax returns supported by false information or using the identifiers of other individuals knowingly or unknowingly. RPP investigations can involve the preparation and filing of false income tax returns by dishonest preparers who may claim inflated personal or business expenses, false deductions, excessive exemptions, and/or unallowable tax credits. The preparers' clients may or may not be aware of the false information included on their returns. Figure 15 shows the number of individuals sentenced for refund fraud cases from FY 2019 through FY 2023.

¹⁹ TIGTA, Report No. 2017-30-073, [Declining Resources Have Contributed to Unfavorable Trends in Several Key Criminal Investigation Business Results](#) (September 2017).

Figure 15: The Number of Individuals Sentenced for QRP and RPP Related Violations Declined From FY 2019 Through FY 2023



Source: Criminal Investigation Management Information System Report (Summary by Program Area).

CI management explained that the decrease in sentencing relates to a limit on the amount of direct investigation time allowed for each field office to spend on the overall refund program, which includes the QRP, the RPP, and identity theft. CI leadership wanted to incentivize field offices to only select the most complex fraud cases with the highest potential for prosecution. There was a higher number of sentencings and prosecution recommendations for both the QRP and the RPP in FY 2019 due to the cases selected and investigated in prior years.

According to CI, the lower numbers of sentencings and prosecution recommendations for the QRP and the RPP in FY 2023 are attributed to the shift away from large-volume, lower-impact investigations toward those that are generally more complex. Figure 16 summarizes the enforcement activity results for QRP and RPP investigations for FYs 2019 and 2023.

Figure 16: Summary of QRP and RPP Enforcement Activity Results for FY 2019 and FY 2023

QRP Investigations and Enforcement Results			
	FY 2019	FY 2023	Change From FYs 2019 and 2023
Investigations Initiated	65	93	43%
Prosecution Recommendations	94	39	-59%
Sentenced	204	65	-68%
Incarceration Rate	76%	72%	-4%
Average Months to Serve	31	42	35%
Publicity Rate	67%	85%	18%
RPP Investigations and Enforcement Results			
	FY 2019	FY 2023	Change From FYs 2019 and 2023
Investigations Initiated	163	201	23%
Prosecution Recommendations	203	108	-47%
Sentenced	154	134	-13%
Incarceration Rate	78%	72%	-6%
Average Months to Serve	24	23	-4%
Publicity Rate	73%	78%	5%

Source: Analysis of Criminal Investigation Management Information System data provided by CI.

The declines in the number of subjects sentenced for QRP and RPP violations observed from FY 2019 and FY 2023 continues an unfavorable trend we previously observed.²⁰

The Percentage of Tax-Related Investigations Is Declining

CI's top priority is investigating violations of the tax law which falls under Title 26 of the U.S.C. From FY 2019 through FY 2023, these investigations decreased from 60 percent to 53 percent of total investigations. Figure 17 provides a comparison by nontax and tax-related violations for FYs 2019 through 2023.

²⁰ TIGTA, Report No. 2017-30-073, [Declining Resources Have Contributed to Unfavorable Trends in Several Key Criminal Investigation Business Results](#) (September 2017).

Figure 17: The Number of Nontax-Related Investigations Initiated Increased While Tax-Related Initiations Decreased From FY 2019 Through FY 2023

Investigations Initiated	FY 2019	%	FY 2020	%	FY 2021	%	FY 2022	%	FY 2023	%
Nontax-Related	985	40%	998	38%	1,209	47%	1,170	46%	1,267	47%
Tax-Related	1,500	60%	1,598	62%	1,372	53%	1,388	54%	1,409	53%
Total	2,485	100%	2,596	100%	2,581	100%	2,558	100%	2,676	100%

Source: Analysis of Criminal Investigation Management Information System data provided by CI.

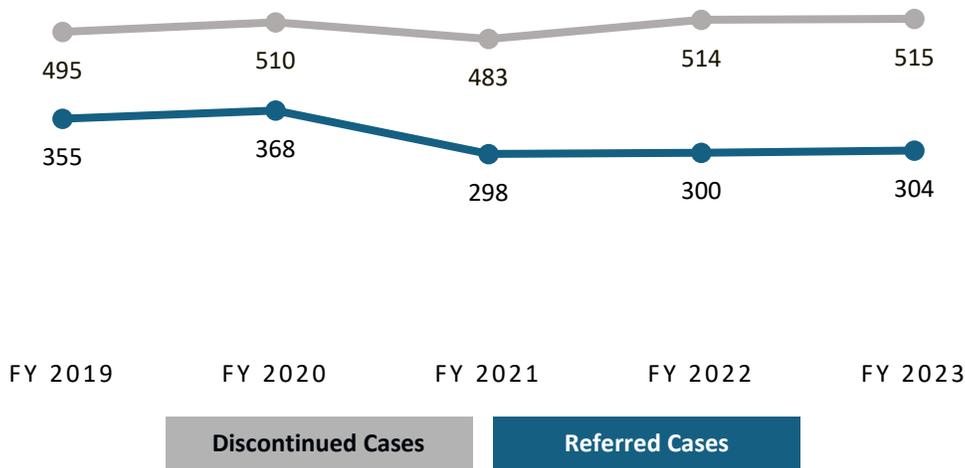
The primary focus of tax-related investigations are money laundering, narcotics, terrorism, and tax compliance. Money laundering investigations support Bank Secrecy Act enforcement and related federal money laundering statutes. Narcotics investigations involve drug trafficking organizations and activities supporting the transportation and distribution of illegal drug proceeds while terrorism investigations support initiatives to disrupt and dismantle financing operations.

Tax-related investigations decreased from 60 percent of overall tax-related investigations in FY 2019 to 53 percent of overall tax-related investigations in FY 2023.

The Time to Determine Whether to Discontinue Investigations Has Increased, While the Time to Refer Cases for Prosecution Has Decreased

During an investigation, special agents must determine if there is sufficient evidence of criminal activity to prove all elements of a crime. CI may drop an investigation because of insufficient tax losses or insufficient evidence to prove all elements of a crime. Figure 18 compares the average number of days to discontinue an investigation or recommend an investigation for prosecution.

Figure 18: Average Number of Days on Discontinued Investigations and Referred Cases for Prosecution for FY 2019 Through FY 2023



Source: Analysis of Criminal Investigation Management Information System data provided by CI.

The average number of days to refer a case for prosecution decreased by 14 percent from FY 2019 through FY 2023. According to CI, this decrease was largely due to the pandemic and an increase in investigations, which normally have shorter cycle times to complete. However, the average number of days for special agents to discontinue a case generally increased. In FY 2023, it took 4 percent longer on average, 515 days, up from 495 in FY 2019.

Prosecutions and Convictions Are Declining

Overall, there was a 3 percent decline in prosecution recommendations to the U.S. Attorney's Offices from 1,893 in FY 2019 to 1,838 in FY 2023. Convictions declined 13 percent over the same time. Figure 19 summarizes the prosecutions recommended and convictions for FYs 2019 and 2023.

Figure 19: CI Enforcement Results for FY 2019 and FY 2023

Enforcement Results	FY 2019	FY 2023	Change Between FYs 2019 and 2023
Prosecution Recommendations	1,893	1,838	-3%
U.S. Attorney's Offices Acceptance Rate	89%	90%	1%
Convictions	1,735	1,508	-13%
Incarceration Rate	79%	79%	0%

Source: Analysis of Criminal Investigation Management Information System data provided by CI.

Conclusion

The increases in staffing and available funding for CI enforcement activities appear to have led to an increase in overall investigations initiated from FY 2019 through FY 2023. However, other unfavorable trends were observed, including declines in CI's international investigations and in subjects sentenced for violations found through the IRS's QRP and RPP programs. Additionally, while CI's top priority is the investigation of tax law violations, tax-related investigations declined from 60 percent of total-initiated investigations in FY 2019 to 53 percent in FY 2023.

Performance of This Review

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General*. Those standards require that the work adheres to the professional standards of independence, due professional care, and quality assurance and follows procedures to ensure accuracy of the information presented. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on the objective of our review.

Appendix I

Glossary of Terms

Term	Definition
Business Performance Review	A quarterly review by an IRS business operating division to report on its performance measures, business results, employee and customer satisfaction, and other items of importance.
Compliance Strategy Program	The CI organizational strategy comprised of three interdependent program areas: Legal Source Tax Crimes, Illegal Source Financial Crimes, and Narcotics-Related Financial Crimes.
Criminal Investigation Management Information System	A database used by CI to track the status and progress of investigations, and the time expended by special agents.
Cycle Time	Elapsed calendar days on completed investigations.
Direct Investigative Time	Time spent by special agents conducting investigations and other law enforcement activities.
Elapsed Calendar Days	The number of calendar days between the initiation of a subject investigation to another date, such as the date discontinued, or the date referred for prosecution.
Field Special Agent	A special agent in one of CI's field offices.
Illegal Source Financial Crimes	Crimes involving illegally earned income, including crimes involving money laundering, 18 U.S.C. §§ 1956 and 1957; §§ of U.S.C. Title 31, <i>Money and Finance</i> ; and U.S.C. Title 26 violations investigated in conjunction with other agencies.
Internal Revenue Code	The body of law that codifies all federal tax laws. These laws constitute Title 26 of the U.S.C., which is a consolidation and codification by subject matter of the general and permanent laws of the United States.
Inventory Per Special Agent	The number of open subject investigations divided by the number of field special agents whose salary grade level is 13 or below and who have various position descriptions, including those of coordinator and reviewer.
Judicial Process (Pipeline) Inventory	Cases in which CI has made criminal prosecution recommendations, and the DOJ has either 1) not declined the case for prosecution, or 2) not yet completed the legal process to arrive at a conviction, acquittal, or dismissal in court.
Legal Source Tax Crimes	Crimes involving legal industries and occupations and legally earned income.
Narcotics-Related Financial Crimes	Crimes involving tax and money laundering related to narcotics and drug trafficking.
Primary Investigation	An evaluation of an allegation that an individual or entity is in noncompliance with the Internal Revenue laws and related financial crimes.

Criminal Investigation Trends From Fiscal Year 2019 Through Fiscal Year 2023

Term	Definition
Questionable Refund Program	A nationwide, multifunctional program designed to identify fraudulent returns, to stop the payment of fraudulent refunds, and to refer identified fraudulent refund schemes to CI field offices.
Referred for Prosecution	A subject investigation that resulted in the determination of prosecution potential and was referred to the DOJ or to a U.S. Attorney's Office.
Return Preparer Program	A program that pursues unscrupulous return preparers who knowingly claim excessive deductions and exemptions on returns prepared for clients. The clients may or may not have knowledge of the false claims.
Special Agent	A CI law enforcement employee who investigates potential criminal violations of the Internal Revenue laws and related financial crimes.
Subject Investigation	An investigation of an individual or entity alleged to be noncompliant with the laws enforced by the IRS and having prosecution potential.
Tax-Related Violation	A tax-related crime may fall under either Title 18 or Title 31 of the U.S.C. when the offense is associated with a tax crime, or the offense impedes the administration of the Internal Revenue laws. Examples of tax-related crimes include, but are not limited to, false statements on a tax return; presenting a false, fictitious, or fraudulent claim for a refund; conspiracy to defraud the IRS; and willful violations of reporting requirements.

Appendix II

Abbreviations

CI	Criminal Investigation
DOJ	Department of Justice
FY	Fiscal Year
IRS	Internal Revenue Service
QRP	Questionable Refund Program
RPP	Return Preparer Program
TIGTA	Treasury Inspector General for Tax Administration
U.S.C.	United States Code



**To report fraud, waste, or abuse,
contact our hotline on the web
at <https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at www.tigta.gov/form/suggestions.**

Information you provide is confidential, and you may remain anonymous.