Artificial Intelligence and Increasing Audit Risk

By Don Shiman | October 31, 2023

RELATED PRACTICES Tax

With a surge of funds from the Inflation Reduction Act of 2022, the IRS has begun targeting previously ignored high-net-worth taxpayers for audit. The funding earmarked for tax enforcement has been allocated to both increased employment in the audit division as well as new technology upgrades, including Artificial Intelligence (***"AI"***) that is being used to analyze complex tax returns.

With the help of AI, the IRS has identified:

- 75 partnerships with an average of over $10 billion in assets that will shortly receive notices of audit, and
- Hundreds of partnerships with over $10 million in assets that will soon receive compliance alerts related to year-over-year balance sheet discrepancies.

Prior to the Inflation Reduction Act, the IRS did not have the resources to properly or efficiently analyze and audit large partnerships, resulting in an increasing level of non-compliance. The use of AI and increased manpower is likely to increase audit risk, particularly on high-net-worth partnerships, large corporations, and digital asset companies.

While these changes will take some time to implement, the audit risk could noticeably increase in the next 3-5 years. Companies should be diligent in keeping tax records in the event of an audit.

© 2026 Haynes and Boone, LLP