

## Ghost Employers – TIGTA Report

Treasury Inspector General of Tax Administration (TIGTA) issued its report on IRS' efforts to identify "ghost employers". A "ghost employer" is an employer that issues Forms W-2 to its employees, but does not submit the W-2s to the Social Security Administration, file employment tax forms, and doesn't make any Federal tax deposits.

This "ghost employer" project was started by IRS back in mid-2020. Its purpose is to identify potential ghost employers and recover withholding taxes, employment taxes, etc.

During the period June 2018 through May 2023, IRS' Criminal Investigation division identified 254 Ghost Employer leads. As of May 2023, 33 cases had been successfully prosecuted with an average restitution amount of \$1.3 million.

The IRS research function identified more than 162,000 potential Ghost Employers with an estimated liability of \$1.7 billion.

Some taxpayers have been affected indirectly by this project. An employer is required to submit the Forms W-2 to the SSA by January 31<sup>st</sup> of the year after the employment year. SSA then forwards the applicable information to IRS. When IRS receives an income tax return, IRS tries to cross-match the W-2 information shown on the return with the information IRS receives from SSA. If the information does not match, IRS may send the employee a letter asking the employee to mail or fax copies of the actual W-2s used to prepare the income tax return. At first glance, it may appear IRS is questioning whether the taxpayer's return is a legitimate return. However, part of this is IRS trying to determine if there is ghost employer. The questioning does cause the processing of the taxpayer's return to take longer by weeks or even months, but it does help IRS identify a ghost employer.

Editor Note: We've seen one case where the employee was also asked to send IRS copies of the W-2. Then IRS followed up with a request to see the check stubs to prove the information on the W2. Finally, IRS asked for a letter from the employer listing each pay date and amount. In this particular case, the employer had not sent SSA the W2s. Nor had the employer filed any employment tax reports nor paid any withholding or matching taxes. The employer finally did send the W2s to SSA and file the required reports and pay the applicable taxes, AT THE SAME TIME the employer filed the forms and reports for the following year. In other words, two years' of forms and reports were filed by the employer on the same day.

The full TIGTA report can be found by going to [www.tigta.gov](http://www.tigta.gov) and entering 2024-300-019 in the Search box.

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