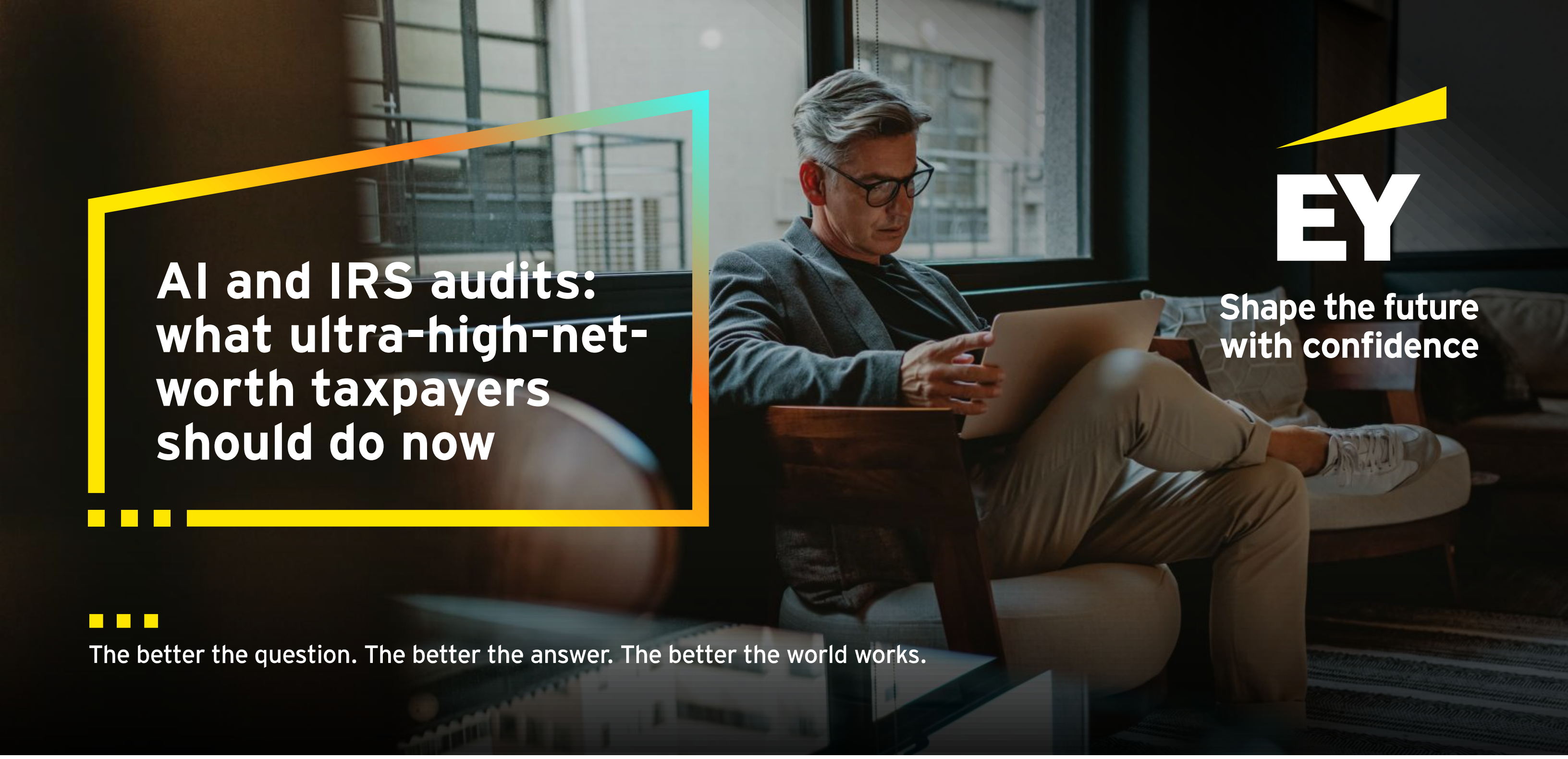

# AI and IRS audits: what ultra-high-net-worth taxpayers should do now

The better the question. The better the answer. The better the world works.

Shape the future with confidence

## The audit landscape is changing

For years, practical limitations shaped many IRS examinations. Reviewing large volumes of records took time. Tracing transactions across multiple entities required significant effort. In many cases, these constraints influenced what auditors could reasonably examine. AI has the potential to expand that reach.

The IRS has announced plans to increase its use of AI, while tax authorities around the world continue investing in advanced analytics. As these capabilities develop, auditors may review larger data sets, uncover patterns more quickly and connect information that once sat in separate systems.

## Why audit risk may look different going forward

Many ultra-high-net-worth (UHNW) taxpayers have worked through audits before. That experience remains valuable, but it may no longer tell the whole story.

Tasks that once consumed substantial IRS resources can now be completed much faster. Records that were difficult to reconcile may become easier to analyze. Connections across transactions, entities and years of supporting documentation may become easier to identify.

The trend also extends beyond the US. Tax authorities in multiple jurisdictions are exploring how AI can strengthen compliance efforts and support audit selection. Taxpayers with international investments or cross-border activities should pay close attention.

As review capabilities grow, documentation matters even more.

For UHNW taxpayers, the issue is not how AI works. The issue is what becomes possible when technology allows tax authorities to review far more information than they could review before.

**Would your records withstand this level of scrutiny?**

## Data quality moves to the forefront

Every tax position depends on evidence. For UHNW taxpayers, this evidence often reaches far beyond tax returns and supporting schedules. A calendar record may help establish residency. An email may support the business purpose of a transaction. A brokerage statement may help substantiate a key fact.

**Examples include:**

- Emails and correspondence
- Calendar and travel records
- Bank and brokerage statements
- Transaction confirmations
- Operational records

The challenge is straightforward. Many of these records are not retained indefinitely. Files are deleted. Systems change. Third-party platforms remove historical information. Years later, documents that once seemed easy to access may no longer exist.

When support cannot be retrieved, defending a position becomes much harder. Strong tax positions require strong records.

### Four practical steps to take now

1. **Review your documentation** – start with significant tax positions. Then work backward. Are supporting records complete? Can they be easily accessed? Will they still be available years from now? This exercise often reveals gaps that are far easier to address today than during an audit.
2. **Revisit retention policies** – too often, taxpayers discover missing records only after questions arise. Review retention practices across financial systems, communication platforms and document repositories. Make sure critical information remains accessible throughout the potential audit lifecycle.
3. **Check for inconsistencies** – AI excels at comparing information across large data sets. Even small discrepancies can attract attention when viewed alongside other records. Confirm that information appropriately aligns across tax filings, financial records and supporting documentation.
4. **Put AI to work** – tax authorities are not the only organizations using these tools. AI can help identify missing documentation, surface unusual patterns and assess the quality of supporting records. Used early, it can help uncover weaknesses before they become audit issues.

## Looking ahead

No one knows exactly how AI will reshape IRS examinations. What seems increasingly likely is that tax authorities will gain new ways to review information, evaluate risk and connect facts that previously required substantial manual effort.

This reality rewards preparation. The UHNW taxpayers best positioned for the years ahead are not waiting to see how audits evolve. They are reviewing documentation now, preserving critical records and strengthening support for important tax positions while they still have time.

### Act now

An audit may begin with a question, but its outcome often depends on records created years earlier. Now is the time to identify gaps and strengthen documentation. And most importantly, confirm that critical information remains accessible.

As AI expands the tools available to tax authorities, the best response is simple: make sure your records are ready.

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