



*Many Investment Theft Loss Deductions
Appear to Be Erroneous*

September 27, 2011

Reference Number: 2011-40-124

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Redaction Legend:

1 = Tax Return/Return Information

2(f) = Risk Circumvention of Agency Regulations or Statutes

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TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 27, 2011

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION
COMMISSIONER, WAGE AND INVESTMENT DIVISION

Michael R. Phillips

FROM:

Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Many Investment Theft Loss Deductions
Appear to Be Erroneous (Audit # 201040042)

This report presents the results of our review to assess the Internal Revenue Service's efforts to ensure validity of investment theft loss deductions. This audit is included in our Fiscal Year 2011 Annual Audit Plan coverage and addresses the major management challenges of Implementing Health Care and Other Tax Law Changes and Erroneous and Improper Payments and Credits.

Management's complete response to the draft report is included in Appendix VI.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services), at (202) 622-5916.



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Abbreviations

<i>e-file(d)</i>	Electronically File(d)
IRC	Internal Revenue Code
IRS	Internal Revenue Service
SB/SE	Small Business/Self-Employed

