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Supreme Court is expected to issue its ruling in *Polselli v. IRS*.

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[Kiplinger Consumer News Service](#)

The U.S. Supreme Court is in the news lately because of the controversy surrounding federal court rulings on the medication mifepristone, which is sometimes referred to as an “abortion pill.” But you might not have heard that the Supreme Court is also set to decide whether when a taxpayer owes money, the IRS can obtain bank records

from that taxpayer's relatives — without notice — to help with the agency's tax

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Relatives' Bank Records?

The dispute in the Polselli case began when a taxpayer (Remo Polselli) owed more than \$2 million in taxes to the IRS.

- Polselli paid some of his tax liability through a limited liability company that he owned, which prompted the IRS to look more closely at Polselli's financial records.
- The IRS issued a number of administrative summonses to determine whether Polselli was shielding assets.
- Ultimately, the IRS issued summonses to Polselli's wife's bank and to two other banks where Polselli's law firm had accounts.
- But, the IRS didn't notify Polselli's wife, Hanna, or the law firm, that they were trying to obtain the banking information.

The IRS can issue a summons to any person under Section 7602 of the tax code when the agency sees a need to get information that could aid in the collection of federal tax owed. That information can include books, papers, records, or other data. In some cases, it can also involve testimony under oath.

What's the Problem? In *IRS v. Polselli*, Polselli's wife, Hanna, and Polselli's law firm argue that the IRS should have to notify them if they are going to send a summons for their information to — in this case — their banks. In other words, the IRS shouldn't be able to “secretly” (i.e., without notice) request bank records of a taxpayer's relatives or associates who don't owe the IRS money.

IRS \$80 Billion Spending Plan Targets Compliance, Customer Service

What Is the IRS Arguing? The IRS contends that it has the statutory authority to seek those records without notice to aid in the collection of Remo Polselli's

delinquent taxes. Previous federal cases involving similar issues haven't resolved the

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Appeals agreed, affirming the district court's ruling that notice wasn't required under relevant law.

However, ultimately, the Supreme Court will determine whether the facts of this case warrant what would essentially be an exception to the general rule that notice isn't required for summonses issued to aid in the collection of tax debt. A key reason is that the IRS "secret" summonses here involve records of individuals who do not have an IRS tax liability.

Controversial Capital Gains Tax Upheld in Washington

IRS \$80 Billion Spending Plan

The Polsell case comes to the Supreme Court while the IRS is also in the spotlight on Capitol Hill. The Inflation Reduction Act (IRA) allocates \$80 billion in funding to the IRS over the next 10 years, and the agency just released a plan describing how it plans to use the funds. However, some Republicans continue to oppose the idea that the IRS needs additional funding and allege that 87,000 new IRS agents will be coming for the tax dollars of hardworking, middle-income Americans.

For its part, the IRS has said that this filing season, taxpayers have already reaped some benefits from initial IRS funding for the agency.

"We have dramatically improved our phone service thanks to more staff. More walk-in services are available across the country. New digital tools have been added. And these are just first steps," IRS Commissioner Danny Werfel said in a statement accompanying the plan's release.

According to IRS data, some of those filing season 2023 improvements include that the agency:

- Answered 2 million more phone calls through live assistance this tax filing season

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