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# Tax Alert

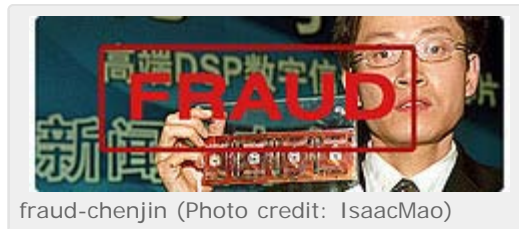


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THE TAX LAWYER

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## Report Fraud To The IRS? Watchdog Says IRS Flubs Over 100,000 Tips Annually

Reporting fraud to the IRS can be effective and isn't a waste of time. Yet review the report issued by the watchdog [Treasury Inspector General for Tax Administration](#), you might wonder if it's worth the bother.



fraud-chenjin (Photo credit: IsaacMao)

Tipping the IRS with evidence of fraud may not produce results. See [The Process for Individuals to Report Suspected Tax Law Violations Is Not Efficient or Effective](#).

Here are some rather grim statistics about reports of fraud to the IRS in fiscal 2011:

1. The IRS website for reporting fraud was visited 501,218 times—they do keep statistics.
2. The IRS received a whopping 116,307 submissions on IRS [Form 3949 A](#). Innocuously, this form is called an **Information Referral**. It is distinct from [Form 211, Application for Award for Original Information](#), the IRS Whistleblower form.
3. The Report concludes that the IRS is “not efficiently or effectively” processing these forms.
4. Reporting guidelines are confusing and inconsistent. For example, the Instructions to Form 3949 A don't explain what

types of fraud or tax violations to report. They tell you to check boxes for various tax violations like False Exemption, False Deductions, Multiple Filing, Unsubstantiated Income, Kickbacks, False or Altered Documents, Failure to Pay Tax, Unreported Income, Failing to File Returns, Failing to Withhold, etc.

5. People often report something besides tax fraud or violations. You aren't supposed to use Form 3949 A for reporting identity theft but many people do. Even if you use [Form 3949 A](#) as intended, it just isn't **specific** enough. In many cases a completed form doesn't provide the IRS with enough ammo to take any action.
6. Many tips provided to the IRS don't meet IRS criteria to take action. Do they follow up? Apparently not or not well.
7. The IRS treats identity theft reports on a Form 3949 A as "regular correspondence." That means the IRS delays action on identity theft cases.
8. A lack of IRS quality review results in some of the forms simply being destroyed! For example, about 3,000 Forms 3949 A used to report identity theft were destroyed because there was no procedure on how to process these claims. What's more, the identity theft victims weren't even notified.
9. Ineffective IRS routing procedures and oversight allow Forms 3949-A to be sent to the wrong parts of the IRS.
10. Some of the forms are mistakenly considered unworkable. Does the IRS follow up and try to get more data? Well, the forms are retained for 90 days and then destroyed.

Obviously, this isn't a happy list. One hopes that apart from retooling the [IRS whistleblower office](#), actions will be taken to remedy these deficiencies.

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