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Tax Alert



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Want To Be An IRS Whistleblower? Be Patient



It is no secret that the IRS needs money. It's also no secret that the IRS is paying for information. The IRS's [Whistleblower Office](#) has released its [fiscal year 2010 annual report to Congress](#), and its an eye opener. How

big is this topic?

The entire Swiss banking industry was brought to its knees because of a [whistleblower](#). That individual still expects to receive a nice chunk of change for the tax dollars his actions are bringing into Treasury Department coffers. See [Tax Informants Are On The Loose](#). Looking beyond the foreign banking controversy, there will be many big tax collections traceable to the actions of whistleblowers.

We may think of this as a new development, but IRS whistleblowing incentives started in [1867](#)! Big changes in 2006 raised the stakes materially, adding new [Section 7623\(b\)](#). Under it, awards to whistleblowers are no longer discretionary. Now, the whistleblower “**shall**” receive 15 to 30 percent of the collected proceeds.

That's **shall, not may**. Procedural safeguards were added too. The 2006 law added whistleblower appeal rights. The IRS then created a [Whistleblower Office](#) reporting to the IRS Commissioner. See [Whistleblower/Informant Award](#). Although there was a long dry spell,

the [first award](#) was recently [paid](#). That was good news for many tax whistleblowers becoming tired of IRS delays.

According to the [Whistleblower Office fiscal year 2010 annual report to Congress](#), during fiscal year 2010, the IRS received 431 whistleblower submissions relating to 5,429 taxpayers that appeared to meet the \$2 million of tax, penalties, interest, and additions to tax threshold in Section 7623(b). Here is a tabulation:

(Table 2)
Amounts Collected and Awards Paid under 7623(a) FY 2005-2010

	2006	2007	2008	2009	2010
Cases Received	4,295	2,751	3,704	5,678 ¹⁵	7,577
Awards Paid	220	227	198	110	97
Collections over \$2 million	NA	12	8	5	9
Total Amount of Awards Paid ¹⁶	\$24,184,458	\$13,600,205	\$22,370,756	\$5,851,608	\$18,746,327
Amounts Collected	\$258,590,435	\$181,784,287	\$155,985,834	\$206,032,872	\$464,695,459

One source of frustration among tax whistleblowers is that they often turn over what they think is key information to the IRS about a tax cheat, only to find that the IRS can't seem to turn it into cash. Only actual cash in the IRS's hands will produce an award to the whistleblower. In fact, in the past, the IRS monitored tax cases to collect proceeds **before** processing the award claim.

Now the IRS wants to wait to pay claims until the period for filing an appeal has lapsed. The general rule is that a taxpayer may file a claim for refund within two years of the last payment, unless the taxpayer has waived that right. Beginning in July 2009, the IRS started monitoring cases for collection and the lapse of the period for filing a claim for refund. As a result, the IRS did not pay some claims it otherwise would have paid in fiscal year 2009 until fiscal year 2010 or 2011.

For more, see:

[IRS To Whistleblowers: "Thanks, But We're Withholding!"](#)

[IRS Paid Fewer Whistleblower Awards Last Year](#)

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