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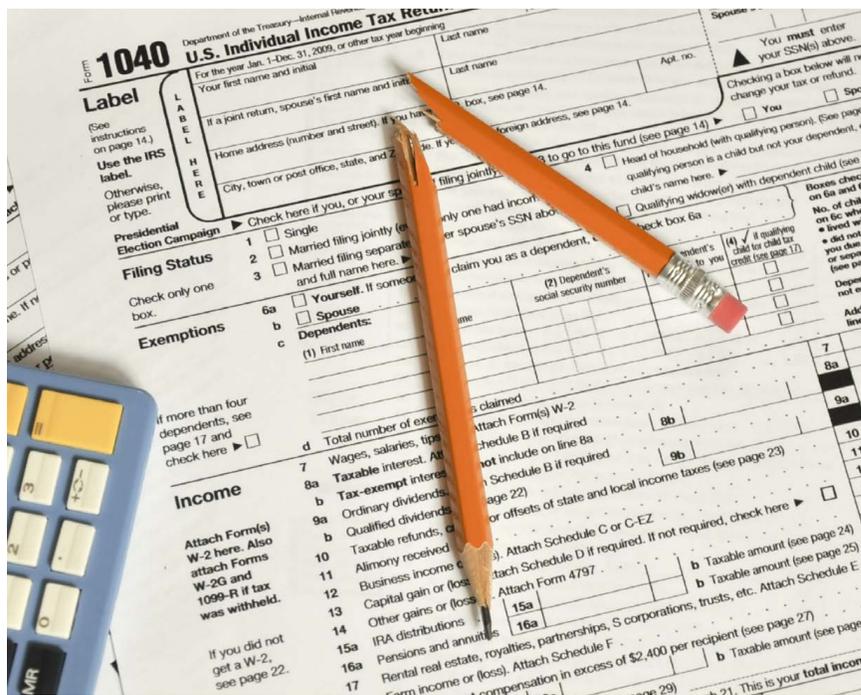
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Tax Cheats Beware: IRS Whistleblower Awards Soar 322%

The IRS's [Whistleblower Office](#) has released its [2016 Annual Report to Congress](#). It includes some good news for whistleblowers, as [awards have jumped 322%](#). That could mean more corporate worry about budding whistleblowers contacting the IRS. In 2016, the Whistleblower Office made 418 awards, totaling about \$61 million. That was a 322% increase over the 99 awards paid in 2015. The number of claims were up too, about 6.4% since 2015. And case closures of whistleblower cases went up 99%.

These are all hopeful figures, but not all of the news coming from this secretive corner of the IRS is rosy. The *number* of awards went way up. However, the total *dollars* paid out actually went down. That's because a whopping \$103 million was paid out in 2015, with only \$61 million paid in 2016. Still, the IRS is sounding a positive and enforcement driven message. According to the IRS Whistleblower Office director, Lee D. Martin:

- 6 Whistleblowers have helped the IRS detect and deter tax noncompliance and avoidance, helping to protect both the nation's revenue collection and the integrity of our voluntary compliance tax system. Indeed, since 2007, information submitted by whistleblowers has assisted the IRS in collecting \$3.4 billion in revenue, and, in turn, the IRS has approved more than \$465 million in monetary awards to whistleblowers."



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He noted that his office has succeeded in all but eliminating a backlog of whistleblower claims over the past year, in response to recommendations from the Government Accountability Office and the Treasury Inspector General for Tax Administration. The office has also put in place a more streamlined process to avoid future backlogs.

Sen. Chuck Grassley, (R-Iowa) is also sounding pleased. He is often in the camp of whistleblowers, whether under the Federal False Claims Act or otherwise. The Senator said that:

- 6 Whistleblowers have helped the IRS recover \$3.4 billion that otherwise would have been lost to fraud. Cracking down on big-dollar tax fraud is a matter of fairness to the vast majority of taxpayers who pay what they owe. Still, the IRS and Congress can't rest on our laurels. The IRS still is not as fast it could be in considering whistleblower information. Whistleblowers often have put their livelihoods on the line to come forward, and they deserve timely answers from the IRS. Another

challenge is making sure the IRS interprets the whistleblower statute in a favorable light toward whistleblowers, which it doesn't always do. I look forward to working with the new administration on whistleblower concerns. As I mentioned to Treasury secretary nominee Steven Mnuchin during our meeting, it's required a lot of oversight to maintain the momentum at the IRS whistleblower office, and I'd like to see a Treasury secretary who will build on the progress."

In many cases, whistleblowers wait a very long time, and many claims are eventually rejected. Although UBS whistleblower [Bradley Birkenfeld](#) collected a whopping \$104 million in 2012, most claims fizzle. Mr. Birkenfeld was the domino that brought Swiss banks and U.S. taxpayers to their knees before the IRS and Justice Department. But since then, many claimants hoping to cash in on key information have come up empty. Coming up empty doesn't necessarily mean the information with which the IRS is supplied is no good. It may mean that the IRS is too busy, has trouble getting information, or is not persistent enough in following it through.

Meanwhile, the whistleblower is kept entirely in the dark about the investigation. The IRS created a [Whistleblower Office](#) reporting to the IRS Commissioner to implement the law. But critics, including Sen. Grassley, have complained in the past that the IRS Whistleblower Office is too slow to process cases and make awards. Some disgruntled whistleblowers have even gone to court to try to roust the IRS. But such court actions usually fail. There is no easy answer, but the uptick in claims processing and in payouts is encouraging.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.