



Robert W. Wood

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IRS Raided Caterpillar, What If They Visit You?

The IRS raided Caterpillar's headquarters [over its offshore tax practices](#). The company is under investigation for shifting its corporate profits from the U.S. to a Swiss subsidiary. That sounds rather mild, but a [2014 congressional investigation](#) concluded that the company's plan would slash \$2.4 billion off the company's tax bill. As the IRS sifts through the evidence, there will be arguments on both sides over whether Caterpillar's actions were legal. Yet as this plays out, it is worth asking how most Americans would react to IRS Criminal Investigation Division agents seizing computers and documents.

The issue is real all year round. Yet, as many taxpayers are worrying over their tax returns, the IRS likes to announce the names and details of some particularly unfortunate taxpayers. There is often a noticeable uptick in press releases, criminal indictments, and convictions for tax crimes this time of year. Most people can be expected to reflect on their own tax returns with a little bit more conservatism upon seeing the news of an indictment or conviction. The IRS surely counts on that.



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When a person is convicted or even indicted of a tax crime, it may be too late to suggest some basic steps the taxpayer should follow. For the rest of us, though, sometimes the simplest rules are the most important. They can conceivably keep you from being on the IRS's publicity hit list in a future tax filing season. The IRS is vast and imposing, but there is a discreet part of it that is [criminal](#) and not civil. Like "Special Agents" of the FBI, the IRS Criminal Investigation Division uses the Special Agent terminology. If you are visited by an IRS Criminal Investigation Division Special Agent, you should consult with an attorney. You are not legally required to talk to them.

In fact, the [Fifth Amendment to the U.S. Constitution](#) guarantees your right against self-incrimination. That means you can't be compelled to be a witness against yourself in a criminal case. You may believe that by answering a few simple questions you will not hurt yourself or your position—especially if you are just a witness. Don't be so sure. Regardless of how adept you are at communication, speaking up may actually help the IRS build a criminal case against *you*. The IRS may (quite honestly) tell you that you are not the target of the investigation, but merely a witness. Even so, you are entitled to retain counsel. Besides, the IRS view of you may change.

In the early stages of IRS criminal investigations, a person may be told he or she is a witness. You may therefore think there is no harm in being forthcoming, and that your cooperation will actually make it more likely that the IRS will appreciate you and leave you alone. However, as the investigation continues, a witness can become a target. Even if you are convinced you are merely a witness and will remain so, the U.S. Supreme Court has ruled that you have the right to assert your constitutional privilege against self-incrimination. See [Bellis v. United States](#).

If you are approached and questioned by a Special Agent, ask for his or her business card. Firmly but politely state that you do not want to answer any questions and that you will have your attorney contact the Special Agent. You can fully cooperate through your attorney. This may sound paranoid, but the ramifications of getting flustered and running at the mouth can be extreme. Particularly given the fluid nature of who is a witness and who is a target, even statements you think sound innocent may not be. Suppose you are asked whether you do business with Joe or know Sally. If you answer falsely, you may face felony charges. See [18 U.S.C. Sec. 1001](#). Plus, making a false statement can be considered evidence of an attempt to conceal other criminal conduct. It is best to be careful.

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