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powerful way to fight tax fraud

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SAN FRANCISCO — Whistleblower programs have proven a remarkably successful approach to fighting fraud in recent years. But as officials at the Internal Revenue Service are learning, that success can be boosted, or hindered, by how the program is implemented. Indeed, as the IRS now crafts rules for its whistleblower initiative, the lawmaker who spurred the program is charging that the agency is not doing enough, or acting swiftly enough, to reward those who blow the whistle on fraud.

In 2006, Senator Chuck Grassley, a Republican from Iowa, spearheaded legislation that would enable whistleblowers to sound the alarm on tax improprieties. For their efforts, they would be awarded part of any recovery ultimately obtained by the IRS. In that respect, the law followed the basic outline of the False Claims Act — the gold standard of U.S. whistleblower laws — which has led to the recovery of more than \$30 billion since it was significantly modified in the mid-1980s.

Other federal agencies, such as the Securities and Exchange Commission, have also launched whistleblower programs with great success. In 2012, for example, the SEC program received more than 3,000 tips alleging securities and other types of fraud. And between 2008 and 2012, whistleblower-initiated cases at the Justice Department rose 71 percent, from 379 to 647.

But critics such as Grassley charge that the IRS has been slower to reap the rewards of whistleblowers because it has not had adequate rules in place. For one thing, critics contend, the lack of deadlines by which to bring whistleblower cases has resulted in long delays in processing potentially valuable tips. In contrast to the increase of tips at other agencies, IRS whistleblower tips have actually fallen — from a high of 472 in 2009 to 332 last year.

“[Whistleblower laws](#) are an extremely potent tool with which to fight fraud, but that

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and the criteria for determining the size of a whistleblower award — do not go far enough.

The 2006 law provided that whistleblowers receive 15 to 30 percent of any ultimate recovery when their information led to additional tax collection on disputes involving \$2 million or more. Prior to the legislation, whistleblower awards were granted, but at the IRS's discretion. And even when they were granted, the awards were typically small.

In 2012, whistleblower tips led to \$592 million in additional IRS tax collection — but whistleblower lawyers say that given the delays in processing those tips, the agency is merely scratching the surface of possible recoveries.

“The April hearing was important because it gives the IRS feedback on their proposals and lets them see how they can be improved,” says Keller, whose [Whistleblower Law Firm](#) has offices in Los Angeles and San Francisco.

“Whistleblowers can bring huge dividends by helping to uncover, and reverse tax evasion. That's an opportunity the IRS — and every taxpayer in the country — can't afford to miss.”

Income Tax • IRS

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