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Tax Whistleblowing Made More Attractive

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The Internal Revenue Service has recently revamped its guidelines to promote the submission of more claims to its “Whistleblower Office.” You will recall that the Whistleblower Office of the IRS invites the disclosure from informants of information about virtually any business, entity or individual taxpayer which the informant or “whistleblower” believes to be underpaying and/or under-reporting the proper amount of Federal tax liability owed to the IRS.

To encourage more whistleblower claims, the IRS has announced that it will now aim at evaluating whistleblower claims within 90 days after submission.

Further, because the whistleblower may become entitled to a substantial reward of between 15% and 30% of the amount ultimately recovered by the IRS based on the whistleblower’s information regarding tax delinquencies exceeding \$2 million (or regarding individuals with gross incomes exceeding \$200,000), the IRS has also announced that it will strive to make a speedy final determination about such rewards to whistleblowers within 90 days after the IRS collects the delinquent tax revenue.

These changes are certainly intended to enhance the IRS use of the tax whistleblowing program which has recovered more than \$1 billion in delinquent tax collection from whistleblower information over the last three years, and under which program the IRS has paid out approximately \$186 million in rewards to whistleblowers.

Obviously, this move toward a speedier whistleblower process has the potential to promote whistle blowing activity not only by well-intentioned citizens, but also by disgruntled employees, former colleagues and others who may have developed some hostility in the course of any number of business and/or personal dealings.