

Tips on tax cheats skyrocket with bigger rewards

By STEPHEN OHLEMACHER (AP) – 13 hours ago

WASHINGTON — Dangle some cash and a lot of people are happy to turn in their employers for cheating on their taxes.

Since Congress beefed up whistleblower rewards in late 2006, tips about suspected tax cheats owing at least \$2 million have jumped more than tenfold, the Internal Revenue Service said in a report Thursday.

In 2008, the agency received tips on 1,246 suspected tax dodgers, each owing more than \$2 million. That's up from 116 big-money tips in 2007.

IRS officials, however, don't know yet whether many of the tips will pan out. The report says the IRS is still in the middle of the lengthy process of conducting audits and processing appeals.

One key lawmaker praised the program but prodded the IRS to move faster on the cases.

"The tax code improvements are still new, and I hope more whistleblowers will come forward as word gets out," said Sen. Chuck Grassley of Iowa, the senior Republican on the tax-writing Senate Finance Committee.

The 2006 law targets high-income tax dodgers, guaranteeing rewards for qualified whistleblowers if the company in question owes a least \$2 million in unpaid taxes, interest and penalties. Tips about individuals also qualify if the taxpayer has an income of at least \$200,000.

The report, by the agency's whistleblower office, focuses on cases in which taxpayers owe more than \$2 million.

Among the tips received in 2008:

_ 228 accuse suspected tax dodgers of owing more than \$10 million.

_ 64 accuse suspected tax dodgers of owing more than \$100 million.

The IRS does not have data on the number of tips it received on such big-money cases before the 2006 law was enacted, according to the report.

Under the law, the IRS must pay qualified whistleblowers 15 percent to 30 percent of the money it collects. Previously rewards were discretionary and topped out at 15 percent of the money recovered.

Tipsters may have to wait a while for their money. Rewards are paid only after the taxes, penalties and interest are collected, a process that could take years, said Stephen Whitlock, director of the IRS Whistleblower Office. So far, none has been paid under the new law.

The informants are promised confidentiality, unless they are required to testify in court.

Whistleblowers themselves are not immune from prosecution if they take part in tax scams.

In August a former banker described by prosecutors as the man most responsible for starting a broad U.S. investigation into rich Americans' use of secret Swiss bank accounts to evade taxes was sentenced to more than three years in federal prison.

Prosecutors gave Bradley Birkenfeld, a 44-year-old U.S. citizen, credit for voluntarily disclosing illegal tactics by Swiss banking giant UBS AG and others. But they said Birkenfeld initially refused to confess his own misconduct and hoped to collect a cash reward under U.S. whistleblower laws.

Partly because of Birkenfeld's disclosures, UBS agreed to disclose to the U.S. the names of 4,450 wealthy Americans suspected of hiding assets and dodging taxes in secret accounts.

Stephen M. Kohn, executive director of the National Whistleblowers Center, a Washington-based advocacy group, criticized the government's prosecution of Birkenfeld.

Coming forward poses "a high level of risk and most people won't do it," he said. "You have to protect them if they are retaliated against and you have to reward them for coming forward."

Most whistleblowers, Kohn said, are dedicated workers who become disillusioned when they discover their employers committing wrongdoing. "Some employees move on. Others are troubled, they have a conscience."

Kohn said the best way to encourage more people to come forward is for the IRS to move faster and start rewarding those who already have.

On the Net:

- IRS whistleblower program: <http://tinyurl.com/ycuqqay>

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