

IRS Whistleblower Improvement Act (S. 625)

Introduced by Sen. Charles Grassley (R-IA), Ron Wyden (D-OR), Roger Wicker (R-MS), and Ben Cardin (D-MD)

Seeks to enhance IRS Whistleblower Program by promoting voluntary compliance, reducing the tax gap, and ensuring due process, anonymity, and the hastening of cases to encourage reporting.

Success of Existing Program

US government has:

- Recovered > \$6.6 billion
- Identified 4,700 names and accounts of U.S. citizens who have engaged in tax fraud,
- Indicted 120 criminal U.S. taxpayers and tax advisors
- Closed prominent Swiss banks
- Collected over \$11 billion from the IRS Offshore Voluntary Disclosure Program (OVDP).

Failures of the Existing Program:

- Denies whistleblowers due process
- Risks the anonymity of whistleblowers
- Permits IRS reward reduction below Congressional statutory minimums
- Allows years of delay of mandatory payments to whistleblowers.
- Permits “double taxation” of whistleblower awards

These loopholes and delays have weakened the program’s enforcement and effectiveness: in Fiscal Year 2018, the program recovered \$1.44 *billion*. By Fiscal Year 2021, the amount dropped to \$245 *million*, and the agency’s payouts to whistleblowers dropped from \$312 million to \$36 million.

IRS Whistleblower Improvement Program would:

- 1 Allow the Tax Court to review decisions “De Novo” (i.e. to review the record and evidence introduced on appeal to determine the soundness of the IRS decision). The current deferential standard is abuse of discretion.
- 2 Exempts whistleblower awards from reductions due to budget sequestration.
- 3 Create a presumption of anonymity for whistleblowers to proceed in Tax Court.
- 4 Requires the IRS to pay interest on whistleblower awards if not paid within one year of receipt of proceeds collected from whistleblower disclosures.
- 5 Allows payment of the attorney fees of whistleblowers regardless of whether the whistleblower award was paid through the mandatory or the discretionary whistleblower award program.
- 6 Improve annual reporting on the Whistleblower Program to Congress.