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## Americans Seeking Reward Money Inform IRS on Others (Update1)

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By Ryan J. Donmoyer

May 4 (Bloomberg) -- Americans seeking reward money are turning in neighbors, clients and employers they suspect of cheating on taxes to the IRS at a rate of nearly eight per day, the director of the agency's whistleblower program said.

Steve Whitlock, the director, told an audience of about 200 lawyers, investigators and government officials at a Miami Beach conference on offshore banking that his office receives 40 to 50 tips per month alleging tax liability in excess of \$2 million. Americans submit another 200 per month alleging smaller violations, he said.

Whitlock said submissions have surged since the enactment in 2006 of a law that requires the Internal Revenue Service to pay awards of between 15 percent and 30 percent in cases where more than \$2 million is collected. Prior to the law, both the decision of whether to make an award and the amount of payment were discretionary.

"Right after we got the new law" containing the minimum award, "the fax machine was running the next day," Whitlock told the Offshore Alert Financial Due Diligence Conference.

The rate of submissions is on pace to eclipse the 476 applications filed in 2008, a number that was four times the previous year. Whitlock said the submissions have "stabilized."

#### Awards

Whitlock told reporters after his speech that there are about 1,000 whistleblower submissions involving about 4,450 taxpayers under investigation.

Whitlock said the IRS will soon release guidance on how awards will be paid under the new program. The guidance will establish positive and negative criteria that will be used to determine awards, he said. Whistleblowers will be allowed to challenge an award in an administrative hearing.

It typically takes five to seven years to adjudicate a claim and collect delinquent taxes before award determinations can be made, he said. He said his office is

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working to try to close the first spate of cases submitted to his office in early 2007.

The IRS established the whistleblower office headed by Whitlock in February 2007 to process claims. The 2006 law has spurred a legal industry built around submitting claims.

After the law was enacted, the Miami-based **Ferraro Law Firm**, which specialized in personal-injury cases involving cancers related to asbestos, opened a Washington office that recruits and represents clients making such claims. The firm has said it made several claims alleging more than \$1 billion in unpaid taxes.

To contact the reporter on this story: **Ryan J. Donmoyer** in Miami at [rdonmoyer@bloomberg.net](mailto:rdonmoyer@bloomberg.net).

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