

**GETTING PERSONAL: IRS Gives Tax Informants More Bites**

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Whistle-blowers who want to expose tax cheats now get more than one shot at making their case to the Internal Revenue Service.

Many informants basically have had to drop a package with the Internal Revenue Service and run. What is known as the "one-bite" rule limited the agency and an informant to a single meeting, even if it involved a multibillion-dollar scheme.

But as a surge of people, including tax advisers and corporate employees, step forward to expose irregularities at companies and elsewhere, the IRS has said it will allow a longer dialogue.

There is big money in this kind of bounty hunting, and lawyers who work with informants are waiting for a flood of it from a three-year-old IRS whistle-blower office that has yet to pay out any awards.

In a Feb. 17 notice, the agency's Office of Chief Counsel says the IRS will relax the one-bite rule, which was intended to keep the tax authority from tainting evidence by pressing whistle-blowers still working for the companies they expose into service improperly. Sending a current employee back in for more documents could hurt the case against it.

Now, the agency may have "limited follow-up contacts, including debriefings" with some of these informants, the IRS said in the notice.

The change will speed up the process "to get the information into the right hands," according to Scott A. Knott, a partner at the Ferraro Law Firm, which represents whistle-blowers. It won't change his firm's practice, however, of trying to draw a road map, complete with documents and legal arguments, to give the IRS in a first meeting.

That, said Stephen A. Whitlock, director of the IRS whistle-blower office, is a good strategy. Whistle-blowers are "well-advised" not to hold anything back, he said, because if they do, the IRS may find it before the whistle-blower turns it in, in which case the person would not get credit.

The chance for a follow-up meeting "provides a useful relief valve" if the informant learns something useful after the initial IRS meeting, said Whitlock.

The biggest money in tax whistle-blowing doesn't always involve outright fraud. Whistle-blowers can collect up to 30% of any tax underpayment of more than \$2 million. Tax errors made during mergers and acquisitions, lavish expenses paid from a privately held company and overly aggressive positions on tax credits are in the mix.

Of course, questionable tax shelters cooked up by companies make good fodder. Like something out of a thriller, shelters often have exotic code names dreamed up by those working on them, like Zinfandel. A favorite ploy is to use the name of the restaurant in which a shelter was dreamed up.

"Like Project Galaxy," said Knott. "Code names coming out of the tax department are a bad sign."

Informants come from all over, and can be anyone from a top executive to an operations manager to the business associate of a high-net-worth person who has dodged taxes. Generally, an attorney or certified public accountant who is representing the taxpayer has a harder time being accepted as a credible whistleblower.

Created under the Tax Relief and Health Care Act of 2006, the IRS whistle-blower office expects to pay out its first awards this year, Whitlock said. Other whistle-blower awards continue to be made by the IRS as part of claims made before the office was founded.

Whistle-blowing cases have surged since 2006. The office got just a few reports at first, said Whitlock, but now gets some 40 to 50 submissions a month.

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