Practitioners welcomed the recent announcement by IRS Commissioner John Koskinen that the agency would substantially expand its Whistleblower Office.

"The additional staff is much needed to ensure that a number of good whistleblower cases are fully reviewed and worked in a timely manner," Dean Zerbe of Zerbe, Fingeret, Frank & Jadav PC said. "I also hope with these new hires, priority will be given to getting awards out. Nothing sends a stronger signal of support to whistleblowers -- and encourages more whistleblowers to come forward -- than awards."

Koskinen, in a September 15 speech before the Taxpayers Against Fraud (TAF) Education Fund in Washington, said that the IRS recently decided to increase staffing for the IRS whistleblower program by 31 employees, representing a more than 70 percent increase over the previous total.

Zerbe said that IRS sources told him that the 31 employees are temporary hires -- for one year only. The IRS did not respond to a request for confirmation that the hires are temporary.

Zerbe said he is confident that once Koskinen sees all the good that will be accomplished with the additional staff at the Whistleblower Office, the temporary hires will be made permanent employees.
Practitioners previously criticized the slow growth of staff at the Whistleblower Office. By the end of fiscal 2013, the staff had 39 employees, which represented an increase of only three employees from the size of its staff at the end of fiscal 2012. Koskinen said in his remarks that the 31 additional staff members would help the IRS increase the pace of award payouts. Lengthy review processes of claims and lack of communication with whistleblowers have frequently been cited as shortcomings of the whistleblower program. (Prior coverage. )

Patrick Burns, co-director of the TAF Education Fund, also was pleased with Koskinen's endorsement of the whistleblower program. "Commissioner Koskinen is the first IRS commissioner to salute the whistleblower program," Burns said. "His endorsement is a strong reform message at a time when the annual tax gap in this country is over $500 billion a year. Success with the IRS whistleblower program will go a long way towards changing the IRS story on Capitol Hill."

Koskinen noted in his speech that as a result of a tightening budget, the IRS would be conducting fewer audits based on whistleblower information. In 2013 total individual audits fell 5 percent, audits of high-income individuals fell 4 percent, and business return audits fell 13 percent. The decline is expected to continue in 2014, Koskinen said. He also said it was imperative to push for adequate resources for compliance programs.

Asked by Tax Analysts on September 17 about the source of funds for the whistleblower program's new employees, Koskinen said the IRS was continually making judgments about where to apply resources.

"As we are shrinking employees to meet the budget issue, who do we give an exemption to or where do we add 30 employees?" Koskinen asked. He added that the Whistleblower Office is small and that the addition of 31 employees was a relatively small percentage of the total IRS, but that it would still have a big impact.

Scott A. Knott of the Ferraro Law Firm said that he was glad to see the increase in staff, which may address some processing delays, but that the larger problem is the lack of audit resources.

Data from the Treasury Inspector General for Tax Administration show that "the IRS needs to prioritize whistleblower information more, not less, so they are not spending time looking at issues or taxpayers that are not likely to result in an adjustment," Knott said.

In 2006 TIGTA released a report that said the IRS's informants rewards program lacked standardized procedures and had limited managerial oversight and concluded that more centralized management oversight was needed. The report also showed that compared with returns selected using the IRS's primary method, examinations initiated on informant information had a higher return adjustment dollar yield per examiner hour. From 2003 to 2005, for example, examinations within the Small Business/Self-Employed Division yielded $688 per hour under the informants program compared with $382 per hour under the primary method.

"I'm convinced that if they recommissioned this study using collections under the new program, the difference between the dollar-per-agent-hour numbers would be even greater," Knott said.
He added that those results would further support giving high priority to whistleblower claims with technical merit, because it could further increase the efficiency of IRS enforcement. Congress amended section 7623 in 2006 by adding a mandatory "shall pay" provision, dictating payouts to whistleblowers of 15 to 30 percent of collected proceeds when specific thresholds are met and adding an option for whistleblowers to appeal award decisions to the Tax Court.

Koskinen also highlighted in his speech an August delegation order that allows smaller awards to be approved by a senior manager in the Whistleblower Office, which would obviate the need for the involvement of the director. That change would "help pick up the pace of awards," he said. Under the order, senior managers can determine awards when the amount in dispute is less than $1 million. Managers can determine awards when the amount in dispute is less than $50,000.

On August 20, John Dalrymple, IRS deputy commissioner for services and enforcement, issued a memorandum outlining timeline performance goals for the whistleblower program. Practitioners hope that the goals will expedite the whistleblower process further by establishing 90-day goals for initial evaluation, review, and notification of an award decision under the program. (Prior coverage.)

William Hoffman contributed to this article.