

IRS Pays \$38 Million in Whistleblower Case

By LAURA SAUNDERS

The Internal Revenue Service has awarded an anonymous whistleblower \$38 million for information leading to the recovery of between \$127 million and \$254 million in corporate taxes, according to the whistleblower's attorney.

The payment is believed to be the second-largest whistleblower award under a program created by Congress that took effect in 2007. The program awards between 15% and 30% of the taxes recovered by the IRS. In August, whistleblower Bradley Birkenfeld received an award of \$104 million in connection with information he provided the IRS concerning offshore tax evasion promoted by Swiss banking giant [UBS AG](#).

The whistleblower's attorney, Scott Knott of Ferraro Law Firm in Washington, declined to name the whistleblower or the firm involved, although he said the corporation is among the top 500 public firms in the country. He released a redacted copy of the IRS's award notice verifying that the whistleblower received \$38,037,899.

An IRS spokesman refused to confirm or comment on the new award, citing a federal law barring the agency from doing so. In July, IRS Commissioner Doug Shulman said publicly that the IRS was trying to determine claims in 10 whistleblower cases that were nearly complete.

Mr. Knott praised the IRS for its handling of the claim. "Both the existence and the name of the whistleblower remained completely confidential throughout this process, proving the IRS can reward corporate whistleblowers" without revealing their identity, he said.

Experts say this means the whistleblower likely was employed through much or all of the four years it took the IRS to process the claim. Bryan Skarlatos, an attorney at Kostelanetz & Fink in New York who has several large whistleblower cases outstanding, said that some of his clients have remain employed by the firms they have turned in.

Mr. Knott declined to discuss the issue involved in the claim, but did say it was more akin to aggressive corporate tax planning than outright fraud. He added that the claim was originally filed in early 2008, which means it was more quickly resolved than many cases.

Most tax-whistleblower cases take between five and seven years to be resolved, experts say, in part because whistleblowers aren't paid until after the IRS is paid and the taxpayer's time to appeal has expired.

Mr. Skarlatos added, "This case sounds exactly like what the IRS is looking for—information from well-placed corporate insiders who can provide specifics about tax noncompliance."

Whistleblower awards are taxable as ordinary income. Lawyers charge up to a 40% contingency fee to handle such cases, experts say.