

Tax Whistleblower Reward Program

September 9, 2011

Readers of the SEC Whistleblower Blog will also be interested in learning about the whistleblower-reward program operated by the Internal Revenue Service. Like the SEC whistleblower program, which provides awards of 10% to 30% of amounts recovered by the SEC based on a whistleblower's information about securities violations, the IRS program provides similar awards to individuals who provide the IRS with information leading to collection of unpaid taxes in amounts over \$2 million. This past April, the tax agency paid \$4.5 million – its first award under the relatively new program – to a retired accountant who blew the whistle on his employer for cheating the government. The amount represents more than 20% of the loot recovered by the IRS.

- * The IRS awards 15% to 30% of what it recovers in taxes, interest, and penalties when income has been under-reported or underpaid.
- * As noted above, the whistleblower is eligible for an award only if unpaid taxes, interest and penalties exceed \$2 million. (For those blowing the whistle on individual tax evaders, the IRS maintains a different program and awards a maximum of 15% up to \$10 million; however the individual must have earned at least \$200,000 a year.)
- * The IRS will deny an award to a whistleblower who had a hand in bilking the government, and the agency may substantially lower the reward for whistleblowers involved in other unlawful activity.
- * Throughout the case and investigatory process, the IRS maintains strict confidentiality of the whistleblower's identity.

Last month, we noted that the IRS recently issued a report to Congress that more tax whistleblowers are coming forward. Experts believe that, under new program rules, whistleblowers are likely to see faster results from the IRS. Between fiscal years 2009 and 2010, whistleblowers increased by 30 percent and rewards more than tripled from \$5.8 million to \$18.7 million.

[David J. Marshall](#), a partner with the firm of Katz, Marshall & Banks who represents whistleblowers before the IRS program, says that he expects the IRS to begin paying out awards at a much faster rate in the next year or so. "There are many whistleblowers whose information has allowed the IRS to collect large sums in unpaid taxes," Marshall said, "and it's getting to the point where there is no reason for the IRS to continue holding on to the awards these people have earned. I think the Service will pay out a good number of them soon."