

## **Tax Fraud Whistleblower Protection**

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Under the IRS Whistleblower Reward Program, an individual who exposes tax fraud can receive an award ranging from 15 percent to 30 percent of the proceeds recovered by the IRS. To qualify for an award, the tax, penalties, interest, and additional amounts in dispute must exceed \$2 million, and, if the allegedly noncompliant person is an individual, the individual's gross income must exceed \$200,000.

### **What types of activities are considered tax fraud?**

Examples of tax fraud or evasion include:

- Deliberately underreporting or omitting income
- Claiming false deductions
- Hiding or transferring assets or income
- Overstating the amount of deductions
- Making false entries in records
- Failing to report income earned in a stock exchange
- Maintaining two sets of books
- Misusing trusts
- Abusing charitable deductions

### **What protection is available for the tax fraud whistleblower?**

The IRS will maintain the confidentiality of the whistleblower's identity throughout the initial investigation process. If, however, the whistleblower's testimony is needed in a judicial proceeding to further the IRS' investigation, the whistleblower's identity may be revealed.

### **Whistleblower disclosure: What you need to know**

A disclosure is more likely to result in an award if it includes documentation of fraudulent transactions, a solid paper trail, and detailed evidence demonstrating tax fraud. Disclosures that are speculative or lack concrete evidence of tax underpayment may not result in a whistleblower award. Where two whistleblowers disclose the same fraud, the whistleblower who made the original disclosure will receive the award.

The statute of limitations for making a disclosure under the IRS Whistleblower Reward Program is three years from the time the tax return was filed. If the disclosure concerns an omission in excess of 25 percent of the gross income stated in a tax return filed with the IRS, the statute of limitations extends to six years. The statute of limitations does not apply where a false or fraudulent tax return was filed with the intent to commit tax evasion.

## **Duration of IRS investigations**

IRS investigations can take years to complete, but a detailed disclosure can shorten the process. After the IRS completes an investigation, the Whistleblower Office will issue a final determination regarding the whistleblower's award amount. If the whistleblower feels that the award does not adequately reflect his or her contributions, the whistleblower may appeal the IRS' decision to the tax court within 30 days.

Award payments are not made until there is a final determination of the tax liability owed to the IRS and the owed funds are collected by the IRS.