

MEMORANDUM

To: Reporters and Editors

Re: First recovery of tax dollars under improved IRS whistleblower office

Da: Friday, April 8, 2011

Sen. Chuck Grassley of Iowa wrote the 2006 law improving the IRS whistleblower office to encourage people with information about big-dollar tax fraud to come forward and lead to the substantial recovery of tax dollars for the U.S. Treasury. He modeled the whistleblower improvements after the successful 1986 whistleblower amendments to the federal False Claims Act. Grassley was the Senate author of the False Claims Act whistleblower amendments, which since 1986 have brought back more than \$27 billion to the federal treasury and deterred even more fraudulent activity. The False Claims Act whistleblower provisions have been very effective against defense and health care fraud, but there was no strong incentive to expose tax fraud until Grassley's work in 2006.

Today, the Associated Press is reporting that an in-house accountant who raised a red flag about a tax lapse that his employer then ignored, leading him to tip off the IRS, has received \$4.5 million in the first whistleblower award under the new, improved IRS whistleblower office, with a recovery for the taxpayers of a net \$20 million in taxes and interest from the financial-services firm. Grassley made the following comment on today's news report.

“Whistleblowers have saved the taxpayers billions of dollars in defense and health care fraud. The potential is just as great with tax fraud in our system of voluntary compliance. This is just one case that's recovered \$20 million for the taxpayers that otherwise would have been lost. Without a whistleblower, it might have taken the IRS years of work to uncover that situation, if ever. I hope this case will encourage more big-dollar tax whistleblowers to come forward. Tax cheating is an injustice to the vast majority of taxpayers who pay what they owe.”