

US Internal Revenue Service Pays First Big Whistle-Blower Award

By Arden Dale
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A three-year-old U.S. Internal Revenue Service program that promises hefty bounties for information on big tax cheats has paid out what appears to be its first substantial reward.

The office paid \$5.5 million to a whistle-blower who reported tax fraud at several companies, according to the law firm that represented the informant. There is more money to come, too, as the IRS resolves claims related to the various businesses that were implicated, the firm said.

The whistle-blower contacted the law firm, Kenney & McCafferty, P.C., in Philadelphia, eight years ago about what the firm described as a complex international stock and tax fraud orchestrated by an overseas-based corporate conglomerate. The IRS recovered more than \$60 million in taxes as a result, the firm said.

Linda Stengle, an attorney at Kenney & McCafferty, declined to provide any details about the whistle-blower, saying the firm is guarding the person's anonymity.

U.S. federal law prohibits the IRS from commenting on individual awards it may have paid out, said agency spokesman Robert Marvin. But Stephen A. Whitlock, director of the whistle-blower office, said at an American Bar Association meeting last month that the office expected to make some awards this year.

Whitlock found himself on the defensive last year after an IRS watchdog blasted his office in a report to Congress, pointing to flaws in handling claims and noting that no awards had yet been paid. Cases were "just working their way through," Whitlock said at the time, in mid-October.

The new award is "an important first step and will do much to give whistle blowers and their attorneys confidence that the new program is working," said Dean A. Zerbe, considered a key force in creating the office. Zerbe, who was a long-time fraud and abuse investigator for the government and an adviser to Sen. Charles E. Grassley, R-Iowa, represents Bradly Birkenfeld, the former UBS AG (UBS) employee who touched off a tax-evasion scandal when he informed to the IRS in 2007. He is now serving a 40-month sentence in prison for his role in the UBS case.

Birkenfeld is seeking a whistle-blower reward, despite his prison sentence. He and his lawyers "are in ongoing discussions with the IRS about Brad's claims for a reward under the tax whistleblower program," Zerbe said.

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