



## TAX FRAUD

The IRS estimates that hundreds of billions of dollars are lost due to tax evasion and fraud each year. The IRS Whistleblower Program provides an opportunity for whistleblowers to report tax fraud and collect a share of what the government recovers. Since the IRS whistleblower program began in 2007, the IRS has paid more than 2,500 whistleblower awards totaling over \$1 billion based on recoveries of more than \$6 billion.

IRS Whistleblower claims can be complicated and require attention to specific program rules. Claims must be reported to the IRS Whistleblower Office on an IRS Form 211, and include an original signature. Unlike other whistleblower programs, the IRS program does not include anonymity provisions, although the IRS reports that it seeks to maintain the confidentiality of whistleblower reports. To be eligible for an award, the whistleblower's reporting must lead to a recovery of more than \$2 million in taxes, penalties and interest. If the tax violator is an individual, the recovery must be at least \$200,000 in taxes, penalties and interest. Eligible whistleblowers receive between 15% and 30% of the recovery from the IRS.

There are many types of tax fraud that can be reported to the IRS, including against corporations and individuals. Common types of tax fraud include:

- Underreporting income
- Hiding income or assets from the IRS through off-shore accounts
- Falsely claiming deductions or credits to reduce tax liability
- Misclassifying employees as independent contractors to avoid paying employment taxes
- Using or promoting phony tax shelters to decrease tax liability

In addition to the IRS Whistleblower program, certain states also have qui tam laws or whistleblower programs that provide rewards for reporting state tax law violations that lead to successful recoveries by the state. While the federal False Claims Act ("FCA") statutorily does not apply to tax violations, several states including New York, Maryland, Illinois, and D.C. have state FCA laws or whistleblower programs that apply to state tax law violations.

If you would like to speak to a member of our whistleblower group about a potential whistleblower matter, please contact us to schedule a case evaluation. All case evaluations are confidential and free.