

Why GAO Did This Study

The Tax Relief and Health Care Act of 2006 expanded the Internal Revenue Service's (IRS) whistleblower program, increasing rewards for submitting information on others' tax underpayments to up to 30 percent of collected proceeds. The expanded program targets tax underpayments over \$2 million and could reduce the gap between taxes owed and taxes paid. IRS's Whistleblower Office has received over 1,300 submissions qualifying for this new program since 2007.

GAO was asked to assess (1) how IRS manages the expanded program, (2) how IRS communicates with whistleblowers and the public, and (3) any lessons from IRS's or other government whistleblower programs that could improve IRS's expanded whistleblower program. GAO analyzed IRS documents and data and interviewed IRS officials, whistleblower attorneys, and federal and state whistleblower program officials.

What GAO Recommends

GAO recommends that IRS collect more information—including data on the time each step takes for all claims and reasons for claim rejection—in its claim tracking system, establish a process to follow up on claims that exceed review time targets, and include more information on these issues in its annual reports to Congress.

In written comments on a draft of this report, IRS generally agreed with our recommendations.

View [GAO-11-683](#) or key components. For more information, contact James R. White at (202) 512-9110 or whitej@gao.gov.

TAX WHISTLEBLOWERS

Incomplete Data Hinders IRS's Ability to Manage Claim Processing Time and Enhance External Communication

What GAO Found

Whistleblower claims can take years to go through the IRS review and award determination process. As of April 2011, about 66 percent of claims submitted in the first 2 years of the program, fiscal years 2007 and 2008, were still in process. According to IRS officials, claims can take years to process because IRS must take various steps to ensure the integrity of claim reviews and resulting taxpayer examinations. Further, taxpayers subject to examination can exercise rights that can add years to the process. IRS does not collect complete data on the time each step takes or the reasons claims are rejected. Without such data, IRS may be unable to identify potential improvements to claim processing efficiency. Furthermore, not all the IRS divisions that review whistleblower claims have time targets for their subject matter expert reviews. Nor does the Whistleblower Office have a systematic process to check in with the divisions about the time taken for their initial reviews.

IRS Expanded Whistleblower Program Claim Review Process Steps

1. Whistleblower files claim
2. Whistleblower Office initial claim review
3. Subject matter expert review
4. Classification and examination
5. Appeals and collections
6. Period for taxpayer to exercise right to request refund
7. Whistleblower Office final review
8. Award payment

Source: GAO analysis of IRS documents and the Internal Revenue Manual.

IRS is limited in what information it can share with whistleblowers about the status of claims because of statutes protecting the privacy of tax information. For example, because IRS cannot disclose if it is examining a taxpayer, it cannot inform whistleblowers on the progress of their claims or the reasons their claims are rejected. One mechanism through which the Whistleblower Office can communicate program results is its mandated annual report to Congress. However, the most recently released report, for fiscal year 2010, did not contain information on case processing times or specific data on why IRS rejected claims. Collecting additional data and including it in the report could improve the transparency of the program and Congress's ability to oversee it.

Federal and state whistleblower programs have features with potential benefits that could improve IRS's expanded whistleblower program, including options that increase interaction or information shared with whistleblowers and options that attempt to improve the accountability for claim processing. While there are potential advantages to all identified options, it is difficult to determine if the advantages outweigh the disadvantages for many options. Furthermore, IRS would be limited by taxpayer data protections in implementing some of the options.