



# IRS Whistleblower Program

Fiscal Year 2015  
Annual Report to the Congress



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## Message from the Director

The Internal Revenue Service (IRS) Whistleblower Program, which was revised and expanded by Congress in 2006, is an important tax administration tool. Information received from tax whistleblowers – individuals who report to the IRS on violations of tax laws by others – has assisted the IRS in detecting tax compliance issues and in collecting additional tax revenue. It is without question that the Whistleblower Program makes an important contribution to the tax system, both by helping encourage compliance (through a deterrent effect on those who may otherwise engage in tax evasion or avoidance) and by contributing to tax gap reduction. In fact, submissions of valuable information have resulted in a wide range of audits and investigations yielding significant collections of unpaid taxes.

The IRS is committed to maximizing the success of the Whistleblower Program. The lifecycle of a whistleblower claim begins with the whistleblower's initial submission and ends with a payment or denial of a claim. Many of the steps in the whistleblower claim process cannot be expedited or shortened. For example, the length of an IRS examination varies based on the complexity of the issues, taxpayer cooperation and documentation, and other factors – which exist whether a whistleblower is involved or not. Likewise, the IRS cannot expedite the time required for the expiration of appeals rights and refund rights. These are prerequisites to the payout of a whistleblower award that can add several years to the waiting period before an award is paid.

Notwithstanding these requisites, the IRS has identified and is implementing several improvements to further strengthen the Whistleblower Program, taking into account, among other things, feedback received from the whistleblower community. First, we are pursuing opportunities to reduce the lifecycle of whistleblower claims through process improvements. In fiscal year (FY) 2015, the IRS initiated a program review of the Whistleblower Office to identify opportunities to maximize the efficiency and effectiveness of the claim process. The opportunities include, among other things, leveraging IRS expertise and resources, both within and beyond the Whistleblower Office, to strengthen the overall Whistleblower Program. Once the review is completed and recommendations are finalized, the IRS will proceed with implementation.

The Whistleblower Program continues to pursue improvement to our communication strategy with whistleblowers, potential whistleblowers and whistleblower attorneys. For example, the IRS is updating and expanding our external educational materials to provide robust detail and insight into best practices for submitting a successful claim. The IRS gets thousands of claim submissions each year – many of which are not actionable because the information is not specific and credible, the ability of the IRS to pursue action is limited by expiring statutes of limitation, or the information is already known to the IRS. A significant amount of resources are expended to sort through this information and cull out those claims that warrant further pursuit. Both whistleblowers and the IRS stand to benefit from this communication initiative because it could ultimately strengthen claim submissions and reduce those claims that are not actionable and thereby not productive to the whistleblower or



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*Since 2007, information received from whistleblowers has assisted the IRS in collecting over \$3 billion dollars in tax revenue, and the IRS has awarded more than \$403 million to whistleblowers.*

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IRS. This will free up IRS resources to focus on the claims that detect noncompliance, produce tax revenue and result in payment of awards.

Finally, changes have been made to improve the content and presentation of the Annual Report to Congress, to ensure that data about program operations is easier to understand and compare over time. Specifically, we have adopted a new reporting schedule whereby information will be presented for each of the preceding three fiscal years, from October 1 through September 30. Because this marks the first annual report using this approach, data in this report may vary if compared to prior year annual reports, which used various reporting periods sometimes inconsistent with the fiscal year calendar. Moving forward, this improvement will allow for more consistent comparisons across years thereby increasing transparency.

FY 2015 was a big year for awards under the Whistleblower Program, with 99 awards made to whistleblowers totaling more than \$103 million before sequestration, which reduced the total payouts. While claims received in FY 2015 were down 17% (12,078 claims received in FY 2015) from those submitted in FY 2014, total claims closed increased by 27% for the same period (10,615 claims closed in FY 2015). The tables and figures in the report provide additional details on the overall FY 2015 Whistleblower Program performance, as well as historical data from the prior two fiscal years. As reflected in Table 1, since 2007, information received from whistleblowers has assisted the IRS in collecting over \$3 billion in tax revenue, and the IRS has awarded more than \$403 million to whistleblowers.

As we work to strengthen this important tax administration program, Congress can help by enacting the two legislative proposals in the Administration's FY 2016 budget proposal, which would provide better protections for both whistleblowers and for taxpayers. Specifically, the first proposal would provide legal protections to whistleblowers from retaliation by employers, much like those protections accorded under other whistleblower award programs. Whistleblowers may be putting their careers at risk by coming forward with information, which is not an easy step to take. Providing whistleblowers with protection from retaliation by their employer would help make the IRS Whistleblower Program more effective and help bring to light additional violations of tax laws that may otherwise go undetected. Equally important is the second legislative proposal to provide stronger protections for taxpayers by imposing a sanction on whistleblowers who improperly disclose taxpayer information obtained from the IRS in connection with their whistleblower claim. Strong protections for whistleblowers and for taxpayers are two key pillars of a successful whistleblower program and sound tax administration.



**Lee D. Martin**

Director, Whistleblower Office

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# Background and Program Evolution

The Tax Relief and Health Care Act of 2006 (the Act) added section 7623(b) to the Internal Revenue Code (Code), which enacted significant changes in the IRS award program for whistleblowers. This section set a new framework for the consideration of whistleblower submissions and established the Whistleblower Office within the IRS to administer that framework. Operating at the direction of the Commissioner of the IRS, the Whistleblower Office coordinates with other IRS units, analyzes information submitted, and makes award determinations.

If a submission does not meet the criteria for section 7623(b) consideration, the IRS may generally consider it for an award under the pre-Act discretionary authority (now section 7623(a) of the Code). A whistleblower must meet several conditions to qualify for the section 7623(b) award program. The information must be:

- Signed and submitted under penalties of perjury.
- Relate to a tax noncompliance matter in which the tax, penalties, interest, additions to tax, and additional amounts in dispute exceed \$2,000,000; and
- Relate to a taxpayer, and for individual taxpayers only, one whose gross income exceeds \$200,000 for at least one of the tax years in question.

If the information meets the above conditions and substantially contributes to an administrative or judicial action that results in the collection of tax, penalties, interest, additions to tax, or additional amounts, the IRS will pay an award of at least 15 percent, but not more than 30 percent of the collected proceeds resulting from the administrative or judicial action (including related actions). The award percentage decreases for cases based principally on information disclosed in certain public sources or when the whistleblower planned and initiated the actions that led to the underpayment of tax. Whistleblowers may appeal the Whistleblower Office's award determinations under section 7623(b) to the U.S. Tax Court.

The IRS pays awards from collected proceeds, and as such, payments are not made until the taxpayer has exhausted all appeal rights and the statutory period for the filing of a claim for refund has expired, or been waived by the taxpayer. Therefore, typically the IRS does not make payments for five to seven years after the whistleblower has filed a claim. In FY 2015, section 7623(b) awards accounted for 19 of all those paid which totaled 99 awards in the amount of \$103,486,677. However, reductions in expenditures required by sequestration reduced the FY 2015 whistleblower award payments by \$7,544,532. The total award amount, before sequestration, represented 20.6% of the total amount IRS collected as a result of whistleblowers' claims.

The Act requires that the Secretary of the Treasury conduct an annual study and report to Congress on the use of section 7623 and the results obtained, and include any legislative or administrative recommendations for section 7623 and its application. This report discusses the Whistleblower Program activities for FY 2015 and is intended to satisfy the reporting obligations under the Act.

# Program Developments

## Guidance

On August 12, 2014, Treasury and the IRS published final regulations in the Federal Register.<sup>1</sup> The final regulations added necessary clarification and provided additional guidance for whistleblower submissions under section 7623. Specifically, the regulations provide guidance on submitting information regarding tax underpayments or violations, filing claims for award, and the whistleblower administrative proceedings applicable to claims for award under section 7623. The regulations also provide guidance on the determination and payment of awards, and provide definitions of key terms used in section 7623. Finally, the regulations confirm that the director, officers, and employees of the Whistleblower Office are authorized to disclose return information to the extent necessary to conduct whistleblower administrative proceedings. Following the publication of the regulations, the Deputy Commissioner for Services and Enforcement issued a memorandum, on August 20, 2014, highlighting the value of whistleblower information and the importance of timely evaluation of that information, as part of a balance tax enforcement program that respects taxpayer rights.<sup>2</sup>

## Operations

The Whistleblower Office evaluates the submissions it receives to determine whether the information offered may substantially contribute to the assessment or collection of unpaid taxes, penalties, interest, additions to tax or additional amounts. If an action proceeds based on the information a whistleblower provides, the Whistleblower Office will determine whether an award is payable under either section 7623(a) or 7623(b) and the amount of any award.

In FY 2015, 19 award payments involving 49 section 7623(b) claims were paid under the revised law. On average, one whistleblower submission will contain information on three taxpayers, and therefore will equal one submission, but three claims. Under section 6103, returns and return information are confidential, unless an exception applies. There is no exception in section 6103 that permits the publication of data on identifiable, individual whistleblowers. Under section 6103, the IRS may, however, disclose information in aggregate form when the data cannot be associated with, or otherwise identify a particular taxpayer (or whistleblower). In compliance with these disclosure rules, summary data on awards paid, receipts, closures, and claim status appear in this report.

## Staffing

At the beginning of FY 2015, the Whistleblower Office staff of 42 included 18 senior analysts with decades of experience in a broad array of IRS compliance programs. In addition, the IRS Office of Chief Counsel has appointed a senior attorney to serve as Special Counsel to the Director of the Whistleblower Office. The Special Counsel provides legal advice to the Director and coordinates support provided by other Chief Counsel offices. At year end, the total staff of the Whistleblower Office increased to 61 including 19 senior analysts. Despite

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<sup>1</sup> The proposed regulations were published on December 18, 2012.

<https://www.federalregister.gov/articles/2014/08/12/2014-18858/awards-for-information-relating-to-detecting-underpayments-of-tax-or-violations-of-the-internal>

<sup>2</sup>[http://www.irs.gov/pub/whistleblower/IRS%20Whistleblower%20Program%20Memorandum%20\(signed%20by%20DCSE\).pdf](http://www.irs.gov/pub/whistleblower/IRS%20Whistleblower%20Program%20Memorandum%20(signed%20by%20DCSE).pdf)

severe budget limitations significant hiring took place within FY 2015, to meet the demands of increasing inventory in both the intake and award determination and award processing areas.

**Figure 1: Whistleblower Office Staffing, Fiscal Years 2013 to 2015**

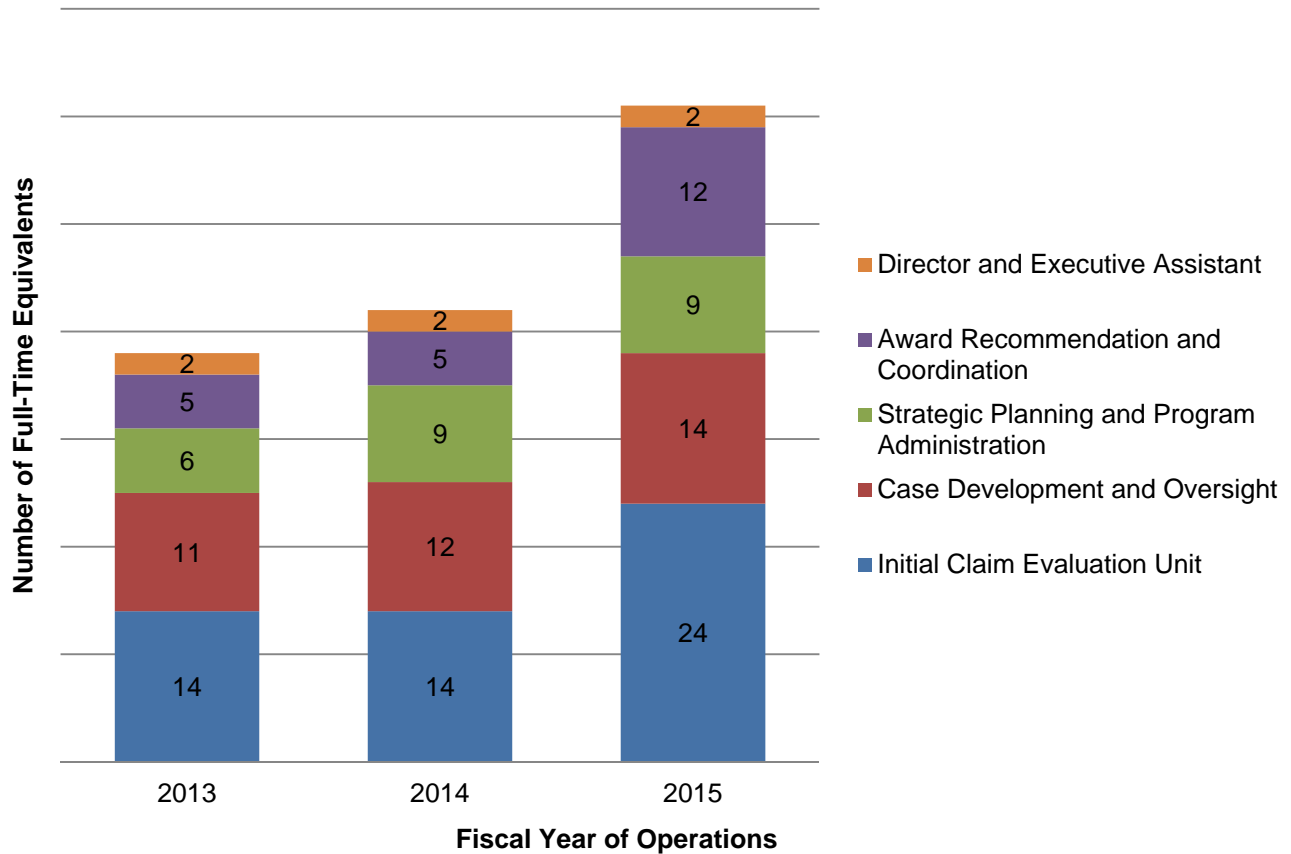


Figure 1 shows the staffing levels of the Whistleblower Office from fiscal years 2013 through 2015. The Whistleblower Office has seen steady and consistent growth from year to year in staffing. As the Whistleblower Office implemented the regulations issued in August 2014, the Deputy Commissioner for Services and Enforcement directed a program review to ensure the resources committed to the Whistleblower Program in the Whistleblower Office and in other IRS components are applied efficiently and effectively. This assessment was started shortly thereafter and includes an IRS Lean Six Sigma review which is expected to be completed in early FY 2016. The Whistleblower Office is awaiting recommendations from the assessment as well from a Government Accountability Office study and a Treasury Inspector General for Tax Administration audit. Based on the collective results of these studies, all of which are expected to be completed in FY 2016, the Whistleblower Office anticipates making comprehensive program improvements.

## Outreach and Communications

The Whistleblower Office has developed an outreach and communications plan to better inform both the public and IRS personnel on changes in the Whistleblower Program. It highlights the future goals of expanding the Program’s reach and improving communications with existing and potential whistleblowers. To the extent statutory changes are needed to further improve the program, the IRS will work with Congress to identify and support such changes.

The Whistleblower Office maintains a page on the IRS Intranet to make information available to IRS personnel and provides articles for internal newsletters and speakers for professional education events. There is also a dedicated page on the IRS website, [www.irs.gov](http://www.irs.gov),<sup>3</sup> which contains information for the public about the purpose of the Whistleblower Program, how to make a submission, and what to expect after making a submission. The website also includes links to the final regulations and the Form 211, "Claim for Award for Original Information". Efforts have been made by the Whistleblower Office to reach out to the general public using certain social media sites to provide an awareness of the Whistleblower Program.

The Whistleblower Office makes presentations to professional groups sharing program developments and in return obtains outside perspectives on the Program. The presentations are made to professional groups involved in the representation of both taxpayers and whistleblowers, including Taxpayers Against Fraud and the American Bar Association Tax Section. The Whistleblower Office has also been consulted by other Federal agencies and the tax administration agencies of other nations, as they evaluate options for establishing their own whistleblower award programs.

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<sup>3</sup> <http://www.irs.gov/uac/Whistleblower-Informant-Award>



# Administrative Priorities and Issues

The Whistleblower Office continues to work with the IRS Office of Chief Counsel and Treasury Department to develop appropriate administrative program guidance. Based on the Whistleblower Office's experiences in administering the Whistleblower Program since its formation in 2007, the IRS has addressed several issues through administrative guidance and has identified additional issues that warrant consideration for future guidance.

## Administrative Guidance

Final regulations became effective on August 12, 2014. During FY 2015, the Whistleblower Office continued developing and conforming the Internal Revenue Manual (IRM), correspondence, policies, and procedures to reflect the final regulations. The updates are expected to be completed in FY 2016. The Whistleblower Office is also working with the Office of Chief Counsel on determining future public guidance needs.

## Other Issues of Interest

A number of additional issues exist in the administration of the Whistleblower Program.

1. [Rules on access to and disclosure of taxpayer information could provide stronger protection for taxpayers.](#)

Section 6103 provides authority for the IRS to disclose taxpayer information to whistleblowers in certain instances. Specifically, section 6103(h)(4) allows the Whistleblower Office to disclose taxpayer information to whistleblowers as necessary during whistleblower administrative proceedings and during whistleblower proceedings before the Tax Court.<sup>4</sup>

Since FY 2010, these Annual Reports have noted concerns regarding the disclosure of taxpayer information to the whistleblower as part of the award determination process. Pursuant to section 6103(h)(4) and Treas. Reg. § 301.6103(h)(4)-1, the Whistleblower Office is authorized to make disclosures of return information as part of whistleblower award administrative proceedings. As part of those proceedings, the Whistleblower Office requires the whistleblower to enter into a confidentiality agreement before sharing the whistleblower claim administrative file which includes protected return information. As part of the confidentiality agreement, the whistleblower agrees not to disclose any return information other than as permitted in the agreement. The confidentiality agreement is an effective deterrent against disclosures occurring prior to completion of the administrative proceeding because the Whistleblower Office may consider violations of the confidentiality agreement in making a final award determination. However, once the award proceeding is completed, current law does not provide an effective sanction if the whistleblower discloses taxpayer information in violation of the confidentiality agreement. The lack of statutory sanction may be amplified when whistleblowers appeal determinations of the Whistleblower Office to the Tax Court, as permitted by section 7623(b)(4), particularly if the IRS is required through discovery to share with whistleblowers information outside the administrative record and having little bearing on the issues before the Court. The Tax Court currently manages this disclosure of return information through protective orders entered under Tax Court Rule 103 prior to the commencement of discovery. While these protective orders carry the threat of contempt for violations, the Tax Court's ability to enforce such sanctions following completion of proceedings is limited.

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<sup>4</sup> Also, Section 6103(k)(6) provides that return information may be disclosed as part of an investigation to the extent that such disclosure is necessary in obtaining information which is not readily available to determine tax liability or the current amount of tax due. Section 6103(n) provides the authority by which returns and return information may be disclosed pursuant to a tax administration contract.

In short, outside the tools of confidentiality agreements and protective orders currently utilized by the IRS and the Tax Court, there appears to be no effective sanction, and no effective restraint, when a whistleblower obtains confidential return information as part of the award determination process and chooses to release that information to the public. It is fundamentally unfair to the taxpayer (and potentially damages our system of tax administration) to be subject to the public release of confidential return information as a result of proceedings to which the taxpayer is not a party and otherwise has no interest. Since FY 2014, the Administration's Budget has included a legislative proposal to address this issue, by extending safeguarding requirements and penalties for unauthorized disclosure to taxpayer information obtained from the IRS as part of the award determination process.

## 2. The law does not provide for whistleblower protection.

Unlike other laws that encourage whistleblowers to report information to the government, section 7623 does not prohibit retaliation against the whistleblower. When the whistleblower is an employee of the taxpayer, retaliation can take the form of a job-related action. In other cases, whistleblowers may face threats of physical harm or damage to economic interests. In such cases, whistleblowers reporting information under section 7623 may have recourse under state law, but Federal law does not appear to provide a remedy. Since FY 2014, the Administration's Budget has included a legislative proposal to provide whistleblowers with protection from retaliation.

Furthermore, the IRS, as a matter of policy and as an application of section 6103, has committed to protect a whistleblower's identity, including the fact that the IRS received whistleblower information in a particular case. This commitment is qualified; however, as the IRS tells whistleblowers it may identify them if they are an essential witness in a judicial proceeding or if ordered to do so by a court of competent jurisdiction. Despite the IRS's commitment to protect whistleblower identities, litigation has highlighted the conflict between the IRS's commitment to whistleblowers and its obligations in civil discovery. Certain litigants have sought information on informant involvement in tax matters even in cases where the government did not identify the whistleblower as a potential witness at trial. The IRS will neither confirm nor deny informant involvement in response to such requests, because a truthful denial in some cases will allow individuals to draw a conclusion in other cases. The authority for this approach is premised in case law. An adverse court ruling ordering the IRS to disclose the identity, or even just the existence of a whistleblower, could open the door to taxpayer fishing expeditions to identify whistleblower involvement.

## 3. The Whistleblower Office has limited information about the extent of the whistleblower's contribution in some criminal cases.

In some criminal cases, information available to the Whistleblower Office on the extent of the whistleblower's contribution may be limited by grand jury secrecy rules. The Whistleblower Office is not allowed to review and consider grand jury information protected from disclosure under the Federal Rules of Criminal Procedure, unless an exception to the secrecy rules is granted, which is done on a case-by-case basis.

# Fiscal Year 2015 Whistleblower Program Statistical Results

## Awards Paid, Fiscal Years 2013 to 2015

Table 1 provides current and historical information on awards paid and collections attributable to whistleblower information in those cases, prior to sequestration. The number and amount of awards paid each year can vary significantly, especially when a small number of high-dollar claims are resolved in one year. The year in which an award is paid is generally not the year in which the collections occurred because the IRS must wait until the taxpayer appeal rights have been waived or exhausted.

In April 2013, the Whistleblower Office issued a notice regarding the impact of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. This law required reductions in expenditures, also known as sequestration, starting March 1, 2013. As applied to payments under section 7623, the required reductions were 7.3 percent of the amount that would otherwise have been payable in FY 2015. Reductions totaling \$7,544,532 were applied to awards paid during FY 2015.

Since 2007, the Whistleblower Office has paid awards in the amount of \$403,804,331 based on collected proceeds in the amount of \$3,050,441,676. In FY 2015, the IRS made 99 awards, totaling \$103,486,677 prior to sequestration; the total award amount represented 20.6% of total amounts collected. In FY 2015, 19 award payments involving 49 section 7623(b) claims were paid. To avoid the possibility of any inadvertent disclosure, section 7623(b) claims have not been segregated from other award payments in this table.

**Table 1: Amounts Collected and Awards Paid under Section 7623, Fiscal Years 2013 to 2015**

|   | FY 2013 <sup>5</sup> | FY 2014          | FY 2015       |
|---|----------------------|------------------|---------------|
| <b>Total Claims Related to Paid Awards</b>              | 130                  | 240 <sup>6</sup> | 204           |
| <b>Total Number of Awards Paid<sup>7</sup></b>          | 133                  | 101              | 99            |
| <b>Collections over \$2,000,000<sup>8</sup></b>         | 6                    | 9                | 11            |
| <b>Total Amount of Awards Paid<sup>9</sup></b>          | \$54,054,587         | \$52,281,628     | \$103,486,677 |
| <b>Amounts Collected</b>                                | \$343,674,315        | \$309,990,568    | \$501,317,481 |
| <b>Awards Paid as a Percentage of Amounts Collected</b> | 15.7%                | 16.9%            | 20.6%         |

<sup>5</sup> The FY 2013 data in this Annual Report has been updated from the FY 2013 data presented in the Whistleblower Office FY 2014 Annual Report based on the status of these claims as of September 30, 2015.

<sup>6</sup> The FY 2014 "Total Claims Related to Paid Awards" has been updated since the release of the Whistleblower Office FY 2014 Annual Report based on the status of these claims as of September 30, 2015.

<sup>7</sup> For Table 1, "Total Number of Awards Paid" reflects the number of payments to whistleblowers. In some cases, award payments can include proceeds from multiple taxpayers, which are reflected in the "Total Claims Related to Paid Awards."

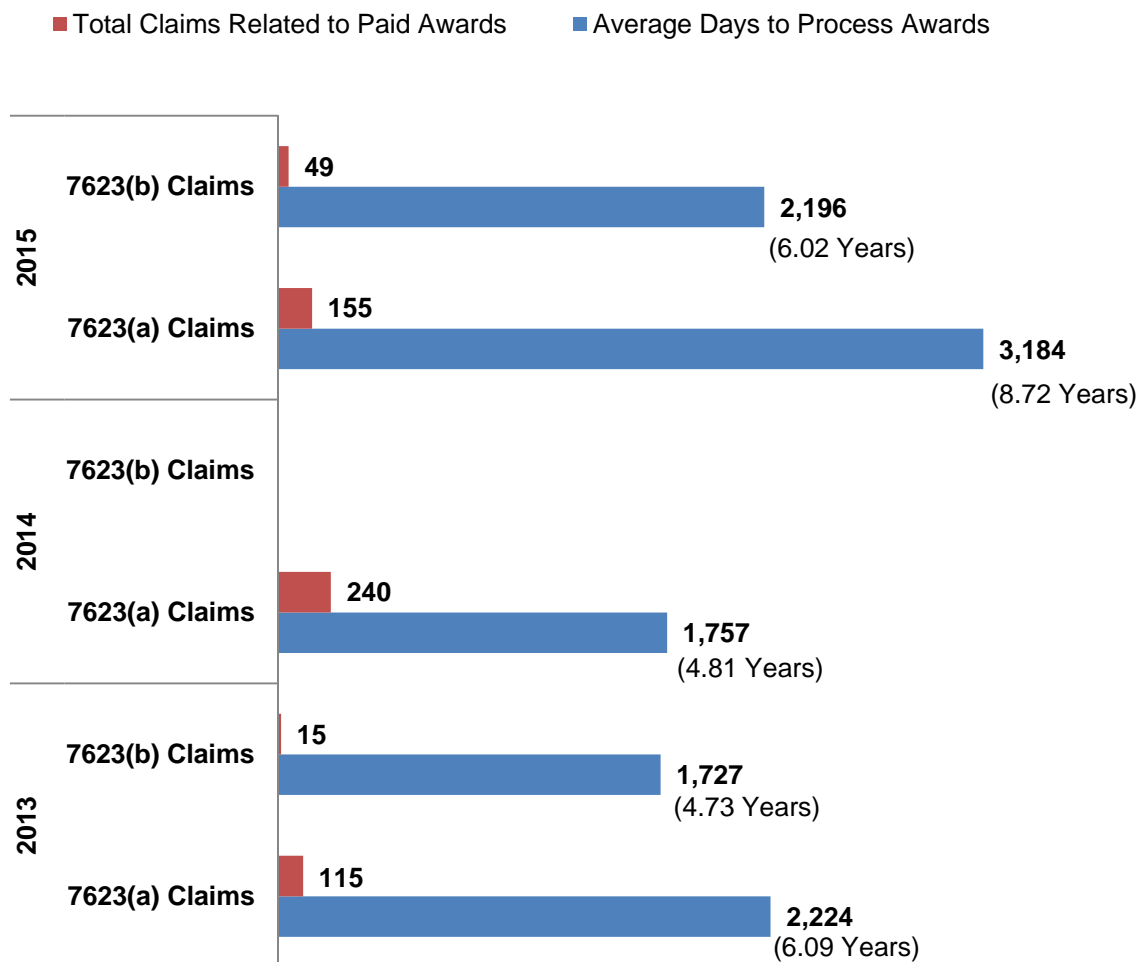
<sup>8</sup> This row includes pre-enactment section 7623(a) claims that were greater than \$2 million and section 7623(b) claims.

<sup>9</sup> The "Total Amount of Awards Paid" is prior to sequestration reductions.

## Total Claims Related to Paid Awards and Average Days to Process Awards, Fiscal Years 2013 to 2015

Figure 2 provides the average processing days for claims paid on awards for section 7623(a) and 7623(b). Typically the IRS does not make payments for five to seven years after the whistleblower has filed a claim due to the time necessary to complete an examination or investigation, collection actions, and appeal rights to be exhausted. This is consistent with the notice provided to whistleblowers that awards are typically not paid until several years after receipt of the submission.

**Figure 2: Total Claims Related to Paid Awards<sup>10</sup> and Average Days to Process Awards by Claim Type, Fiscal Years 2013 to 2015**



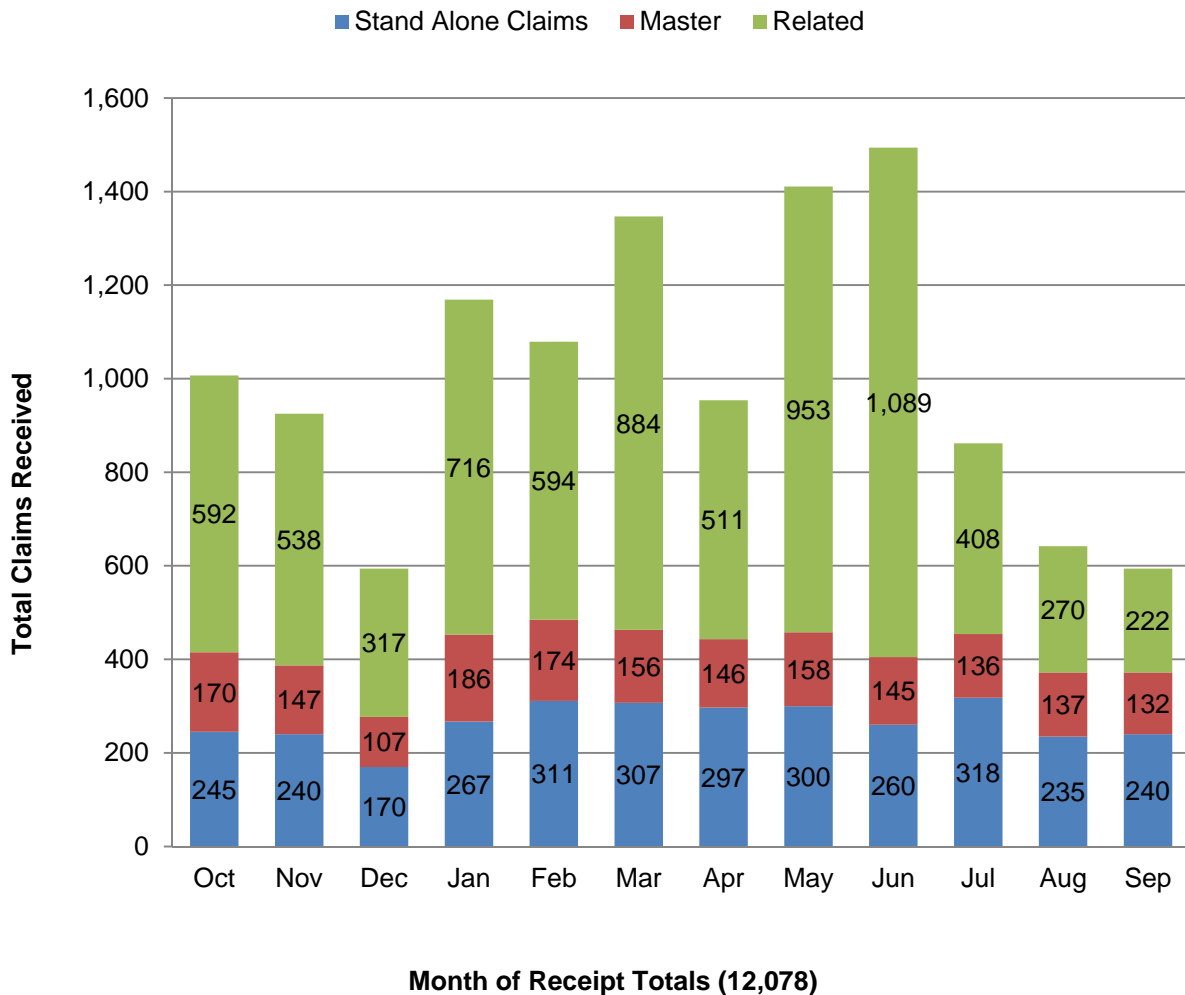
<sup>10</sup> Figure 2 only reflects claims paid in full as of September 30, 2015. Partial claim payments were not included.

## Total Stand-Alone, Master, and Related Claims by Month in Fiscal Year 2015

Figure 3 provides data on all stand-alone, master, and related claims (defined below) received in FY 2015. Figure 3 identifies trends and fluctuations as it pertains to total taxpayers and claims received on a monthly basis.

Figure 3 includes data on whistleblower submissions and claims associated with those submissions. Figure 3 also identifies the claim type as stand-alone, master, or related. Stand-alone claims are defined as submissions identifying one taxpayer. As a general rule, multiple claim numbers are assigned when the claim submission identifies multiple taxpayers. When multiple taxpayers are identified, the claim is then subsequently identified as a master claim, with associated related claims. For each master claim identified below, there is at least one associated related claim.

**Figure 3: Total Claims Received by Month in Fiscal Year 2015**

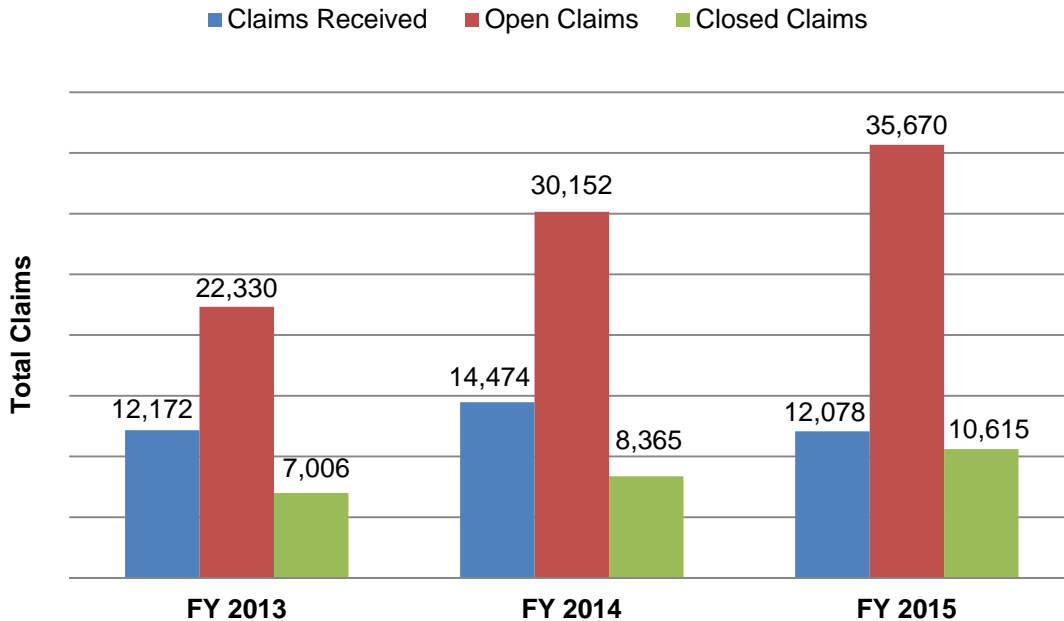


## Claims Received, Open, and Closed, Fiscal Years 2013 to 2015

Figure 4 provides current information on claims received in fiscal years 2013 to 2015. In addition, figure 4 shows the total number of claims remaining open, and the claims that were closed in each fiscal year from 2013 to 2015. Figure 4 has been modified to provide a rolling three year schedule of claim activity. The data shows an increased demand on the Whistleblower Office’s resources for the timely and effective processing of submissions.

In 2009, the Whistleblower Office began using a new information system and began accounting for multiple taxpayers identified in a single whistleblower submission. This accounting for multiple taxpayers identified in a single submission has been followed each year since. As a general rule, the number of claims represents the number of taxpayers identified in submissions, so a submission identifying 100 taxpayers is counted as 100 claims.

Figure 4: Claims Received, Open, and Closed <sup>11</sup>



## Processes for Open Section 7623(a) and 7623(b) Claims

Table 2 reflects a summary of current statuses into process phases for open section 7623(a) and 7623(b) claims. Prior year reports identified and reported each unique current status for open claims. For FY 2015, the current statuses were organized into processing phases, and the processing phases provide an overview of where each open claim is currently situated in the claim lifecycle. Each current status was summarized and incorporated into a processing phase, according to its current location in the lifecycle of the claim as of September 30, 2015.

<sup>11</sup> The data presented in this table may not align completely with prior year data reported. As the IRS continues to work a claim and learns more about the characteristics of the claim, the case management information is updated. The data presented in this table is captured as of a certain date and is a snap shot in time. The data is dynamic and changes can occur after the date the data is presented.

Table 2 reflects open submissions and claims for FY 2015. Historical data analysis has shown that one whistleblower submission typically contains on average three taxpayers, and therefore will equal one submission, but three claims. The data shown for submissions and claims is consistent with this analysis.

**Table 2: Status of Open Section 7623(a) & 7623(b) Claims**

| Processes <sup>12</sup>              | Submissions   | Number of Claims |
|--------------------------------------|---------------|------------------|
| Intake/Classification 7623(a)        | 298           | 747              |
| 7623(b)                              | 49            | 147              |
| OD Field/Investigation 7623(a)       | 3,359         | 6,023            |
| 7623(b)                              | 698           | 2,494            |
| OD Field/Suspense 7623(a)            | 1,923         | 5,213            |
| 7623(b)                              | 354           | 7,070            |
| Preliminary Award Evaluation 7623(a) | 49            | 61               |
| 7623(b)                              | 95            | 176              |
| Interim Award Assessment 7623(a)     | 4,846         | 8,573            |
| 7623(b)                              | 294           | 666              |
| Award/Suspense 7623(a)               | 1,553         | 2,047            |
| 7623(b)                              | 182           | 1,462            |
| Final Review 7623(a)                 | 146           | 188              |
| 7623(b)                              | 80            | 193              |
| Appeals 7623(a)                      | 144           | 227              |
| 7623(b)                              | 93            | 265              |
| Litigation 7623(a)                   | 26            | 58               |
| 7623(b)                              | 32            | 60               |
| <b>Total</b>                         | <b>14,221</b> | <b>35,670</b>    |

NOTE: Data reported as of September 30, 2015

<sup>12</sup> Please refer to the report glossary for a complete description of the current claim statuses, which fall under each of the “Processes” described in Table 2.

## Reasons for Fiscal Year 2015 Closures, All Claims from any Fiscal Year of Receipt

In FY 2015, the Whistleblower Office closed 10,615 claims. Claims received in FY 2015 and FY 2014 accounted for 79% of closures in FY 2015. The four most common factors for closures were:

- Rejected claims with either a non-specific, non-credible, or speculative allegation.
- Closed – Other (Used as a General Closure That Does Not Fall Within One of The Specific Closure Reasons)
- The information was already known to the IRS, lack of resources, or due to a survey (no tax effects.)
- The issues were below the threshold for IRS action.

Additional items of interest regarding the various closure reasons are listed below.

- There are sometimes multiple closure reasons associated with a claim.
- When a submission identifies multiple taxpayers, different closing reasons could be applicable to the different taxpayers, based on the results of IRS actions regarding each taxpayer. For example, there may be an award paid with respect to one taxpayer and a denial due to a “no change” result with respect to another.
- The closing reasons distinguish between examinations that find no additional taxpayer liability and those in which a liability was found on issues other than those identified by the whistleblower. Awards are paid if the information provided by the whistleblower is the basis for assessment and collection of tax. When the information provided by the whistleblower has no relevance to the assessments, the claim is denied and the closing reason applied is “Claim Denied - Examination Result Was “No Change” or Whistleblower Issues Was “No Change.”



Table 3 provides the reasons for FY 2015 closures. Prior year reports displayed the data by individual closure reason. The data presented for FY 2015 was grouped into similar closure categories and is displayed as a percentage of the total closures.

**Table 3: Reasons for FY 2015 Closures, All Claims from Any Year of Receipt**

| Reason for Closure   | Total Number of Claims | As a Percentage of Total Claims |
|--|------------------------|---------------------------------|
| Claim Rejected - Allegations are not Specific, Credible, or are Speculative in Nature                                  | 5,633                  | 53%                             |
| Closed – Other (Used as a General Closure That Does Not Fall Within One of The Specific Closure Reasons) <sup>13</sup> | 1,229                  | 12%                             |
| Claim Denied - Information Already Known, or Lack of Resources, or Survey Other  | 1,165                  | 11%                             |
| Claim Denied - Issues Below Threshold for IRS Action   | 1,116                  | 10%                             |
| Claim Denied - Insufficient Time Remaining on Statute of Limitations or Statute Expired Before Form 211 Submission     | 710                    | 7%                              |
| Claim Denied - Examination Result Was "No Change" or Whistleblower Issues Was "No Change"                              | 287                    | 3%                              |
| Award Paid in Full in 2015   | 204                    | 2%                              |
| Claim Rejected - Failure to File Form 211, or Sign Form 211 Under Penalties of Perjury, or Incomplete Form 211         | 170                    | 1%                              |
| Claim Denied - No Collected Proceeds (Uncollectible)   | 58                     | Less than 1%                    |
| Administrative Error – (Duplicate Records Created in Error)  | 36                     | Less than 1%                    |
| Claim Rejected - Ineligible Whistleblower  | 7                      | Less than 1%                    |
| <b>Total</b>   | <b>10,615</b>          | <b>100%</b>                     |

<sup>13</sup> When the Whistleblower Office found that the "Closed-Other" closing reason was used more often than expected, additional training and guidance was provided to properly identify and apply the correct closing reason definitions. The Whistleblower Office has continued this training, and will continue to examine trends in closing reasons, and may adjust definitions or add definitions to provide a more complete picture of actions taken on whistleblower information. As a result this closure reason decreased by 24% from FY 2014.

# Glossary of Terms

|                                     |  |
|-------------------------------------|--|
| <b>Intake/Classification</b>        | The Intake/Classification process includes claims received by the Whistleblower Office for review and analysis. The Whistleblower Office builds the claims, and the claims are then sent to classification for further review. The primary function of this process is to determine which claims require additional review from the Whistleblower Office or the Operating Division (OD). This process includes claims which have no current status, claims which require additional information, incomplete claims, new claims, and claims awaiting initial review by classification.  |
| <b>OD Field/Investigation</b>       | The OD Field/Investigation process includes claims reviewed by classification, and the claims sent to the various OD's for investigation after classification's review. The current statuses included in this process are claims which are under review by classification, claims being examined by the various OD's, claims being reviewed by the OD's Subject Matter Experts, and claims under initial review by the Criminal Investigation Division prior to accepting the claim for investigation.   |
| <b>OD Field/Suspense</b>            | Submissions often include multiple taxpayers, potential related taxpayers, and claims which might fall under the Tax Equity and Fiscal Responsibility Act (TEFRA). The OD Field/Suspense process includes claims which are currently awaiting the closure of an associated claim, in order for all of the claims to be closed out simultaneously. This process includes the current status for claims in which the case is suspended because the OD is evaluating a bulk claim involving a large number of taxpayers, or the claim still has related claims in process, or the claims are awaiting the resolution of a TEFRA key case. |
| <b>Preliminary Award Evaluation</b> | The Preliminary Award Evaluation process involves claims with current statuses including administrative proceedings for either rejections or denials, or for Preliminary Award Recommendation Letters (PARL).  |
| <b>Interim Award Assessment</b>     | The Award process includes the review of all claims which have been returned from the OD's that require additional review. The current statuses in this process include approvals for award percentages, award evaluations, final award approval, final award processing, Form 11369 award recommendation and coordination review, reviewing the results of the OD's to determine whether sufficient information exists to make an award decision, managerial PARL approval, and the review pending rejection and denial letters.  |
| <b>Award/Suspense</b>               | Similar to OD Field/Suspense, this process includes cases which have been suspended, cases awaiting collection action, and cases in which the payment has been received but is awaiting the expiration of the statute of limitations on the taxpayer's claim for refund.   |
| <b>Final Review</b>                 | The Final Evaluation process includes Award Recommendation Memos and letters for rejections and denials, which have been approved, or are awaiting approval from management.   |
| <b>Appeals</b>                      | This process involves the current status on claims in which the taxpayer has sought review by the IRS appeals function.  |
| <b>Litigation</b>                   | The Litigation process includes the current status for claims in which the whistleblower has sought litigation regarding an award determination made on the Whistleblower's Form 211 submission(s).  |