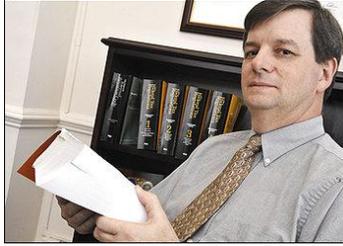


The Washington Post

PEOPLE IN THE NEWS

Stephen Whitlock

Director of the IRS Whistleblower Office



(Mark Gail/The Washington Post)

Why He Matters

Wanted: Known tax cheats. **Reward:** Substantial.

Whitlock runs the Internal Revenue Service (IRS) Whistleblower Office, a tip line with more than a dozen employees that fields allegations of tax fraud from the public. The office promises to give informants a 15 to 30 percent cut of a successful tax prosecution, but the threshold for participation in the program is high. To prevent the office from attracting people with personal vendettas or get-rich schemes, the agency only investigates tips concerning unpaid taxes of \$2 million or more.

"We want to make sure that the message is clear," Whitlock said. "We're talking about high-value noncompliance, not 'I've got a dispute with my landlord.'"

The Whistleblower Office was established in 2006 by the Tax Relief and Health Care Act, legislation that empowered the office to focus its attention on the most brazen tax evaders, rather than "mom-and-pop type taxpayers" with smaller unpaid bills, Whitlock said.

In order to build a successful case with the Whistleblower Office, an informant must have solid, inside information about tax-evasion activities. Hearing a rumor at the office, or having a sneaking suspicion, simply won't cut it; the IRS needs proof on paper if it's going to devote manpower to a case.

"The best tips we get are from people who have typically got documentary evidence," Whitlock said. "They were at meetings. They have transaction records that they have obtained as a result of either a personal or a business relationship with the taxpayer."

In His Own Words

"We never ask a whistleblower to sneak documents out of an office. When we interview these people, we ask them what they have and what they may have already taken out of their office, or from whatever source they had. But we are very careful to say we are not asking them to go get something else."

At a Glance

Career History: Deputy Director, IRS Office of Professional Responsibility (2003-2007); Director, IRS Commissioner's Complaint Processing and Analysis Group (1999-2003)

Alma Mater: Auburn University, B.A.; Catholic University, J.D.; George Mason University, M.B.A. 1998'

Path to Power

Whitlock is a career civil servant for nearly three decades. Over the years, he's earned a bachelor's degree from Auburn University, a law degree from Catholic University and an MBA from George Mason University.

Before joining the IRS, Whitlock was a staff member at the Defense Department, where he led numerous initiatives to fight fraud, waste and abuse in the military. Most notably, he directed the Pentagon's Defense Hotline, a program established in 1979 to encourage people inside and outside the military to "report significant instances of fraud, waste, abuse of authority, and gross mismanagement."

From 1999 to 2003, Whitlock served as director of the IRS Commissioner's Complaint Processing and Analysis Group. He moved on to a four-year term as deputy director of the IRS' Office of Professional Responsibility, a division that polices the conduct of attorneys and CPAs who practice before the IRS.

On Feb. 2, 2007, Whitlock was named the first director of the IRS Whistleblower Office. Under his stewardship, the office hit the ground running, and the number of tips it receives has steadily grown as word has gotten out about the large rewards available. In 2008 alone, the office received 1,246 tips alleging tax underpayments of \$2 million or more in each case.

The Issues

Whitlock's office aims to weed out scurrilous tax fraud by requiring whistleblowers to submit a long application, known as Form 211, detailing alleged violations. After reviewing the form and any documentation or evidence provided, the IRS makes the call about moving forward to a full-blown investigation.

"The decision whether to proceed with the case against the taxpayer is made in a closed process, which the whistleblower does not have a vote in," Whitlock explained.

The IRS promises to provide total anonymity to anyone who serves as an informant. Hypothetically, a tax snitch can reap the rewards of a tip to the IRS without ever coming face-to-face with the guilty party. "If everybody does what they're supposed to do and is careful, taxpayers really shouldn't find out how it happened they were selected for an audit," Whitlock said.

The Whistleblower Office has yet to distribute any rewards, as it typically takes three to five years to complete a tax- evasion case. The IRS is expected to release guidelines in the near future outlining how rewards will be paid, so it may not be long before the Whistleblower Office begins to announce successful prosecutions.

Tax Gap

In recent years, the IRS has launched a multi-pronged campaign to reduce the tax gap, which is the difference between what is owed to the government and what is actually collected. The size of the tax gap is difficult to pinpoint accurately, but it is generally estimated to total about \$300 billion per year - no small sum in an era of large federal deficits.

Whistleblower investigations could recover billions of dollars in unpaid taxes, effectively cutting the tax gap for years past. The information provided to investigators could also reveal what loopholes are most commonly exploited by tax cheats.

The Network

Whitlock's department operates under the supervision of IRS Commissioner Douglas Shulman.

When a credible allegation of taxpayer wrongdoing is received by the Whistleblower Office, Whitlock and his team pass the information to other IRS departments, which ultimately decide whether to pursue a formal case. Depending on the situation, the investigation may be handled by the IRS' Large and Mid-Size Business Division, which is led by Commissioner Heather Maloy, or by the Small Business/Self Employed Division, which is led by Commissioner Christopher Wagner. If a "specific intent" to commit tax fraud is suspected, the case is sent to the IRS' criminal investigations division, which is led by Eileen C. Mayer.

The Whistleblower Office's most important patron in Congress is Sen. Chuck Grassley (R-Iowa), the senior Republican on the Senate Finance Committee. Grassley - a longtime supporter of robust whistleblower protections - led the push to create the IRS tip line in 2006. Senate Finance Committee Chairman Max Baucus (D-Mont.) is a longtime advocate of seeking ways to close the tax gap.

Campaign Contributions

The Federal Elections Commission does not have any record of Whitlock ever donating to a political campaign.