

## Do You Get a Reward for Reporting Tax Fraud?

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Under certain circumstances, the information you have regarding tax fraud can be worth thousands or even millions of dollars. Reporting tax fraud can be a tricky but worthwhile undertaking. The IRS Whistleblower Program offers the opportunity to claim significant financial rewards if the information you offer leads to a successful claim.

However, the laws surrounding this process can be complex. For this reason, it is imperative to work with an IRS whistleblower attorney when [reporting tax fraud](#).

Remember that tax fraud is more than just a mistake – it is an intentional effort to cheat the system and avoid paying into the pool of public funds that benefit all of us. Trying to avoid filing or paying a fair share of taxes reduces the amount of good that government can do and puts an unfair strain on those who do play by the rules.

### What is Tax Fraud?

Tax fraud is when an individual or corporation knowingly attempts to pay less in taxes than what they owe. There are certain penalties for tax fraud, including fines, forfeitures, and even jail time.

What counts as tax fraud? Some common types of tax fraud include:

- **False deductions or exemptions:** Businesses may falsify their expenses in order to claim false deductions. Likewise, individuals may attempt to claim false exemptions or deductions in order to reduce their overall taxable income.
- **Failure to pay taxes:** Once you have filed taxes, you must pay. Efforts to evade payment constitute fraud.
- **Failure to report all income:** If someone you know keeps a secret bank account or only reports earnings from one known account on their tax forms, these are examples of fraud. Under-reporting how much you earn in an effort to reduce your tax liability is illegal.
- **Willfully failing to file a tax return:** Tax returns are mandatory. If someone you know has not filed tax returns in an effort to mislead the government, this may be an example of tax fraud.

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- Fake or altered documents: Fake or altered documents are often submitted in order to support fraudulent tax filings.
  - Employment or payroll fraud: Corporations may commit employment or payroll fraud in order to pay lower taxes. If you are an employee who is being paid “off the books” or without proper documentation, you may be able to file a claim as a whistleblower.
  - Refund fraud: Claiming too much as a tax refund is another way of cheating the system.
  - Using a false social security number: Falsifying social security information on your taxes may go hand in hand with making fraudulent claims.

## IRS Whistleblower Program

The [IRS Whistleblower Program](#) pays substantial monetary awards to people who help uncover tax fraud. In order to be eligible for the IRS Whistleblower Program, the fraud must:

- Relate to a tax noncompliance matter in which the total sum involved (including penalties, interest, tax owed, or additional proceeds) exceeds \$2,000,000; and
- Relate to a taxpayer whose gross income exceeds \$200,000 for at least one of the tax years in question

If you have information that qualifies, you may be able to receive up to 15-30 percent of the total proceeds collected using your information. This reward is guaranteed but decreases if the whistleblower was shown to have planned or initiated the tax fraud themselves, or if their information came from a public source.

The [Tax Relief and Health Care Act of 2006](#) created the IRS Whistleblower Office and is focused exclusively on working with whistleblowers and their findings. This Act also made whistleblower payments mandatory, as opposed to discretionary. The IRS Whistleblower Office follows certain strict protocols for delivering payouts and collecting information. Certain federal employees, federal contractors, and other Department of the Treasury insiders are currently prohibited from collecting IRS whistleblower payouts.

## How Do I Report Tax Fraud?

The process of reporting fraud to the IRS usually follows a certain [IRS whistleblower timeline](#):

### 1. Talk to a whistleblower attorney

Hiring a lawyer may provide a better chance that your submission will be fully investigated. Having your own legal representation may also help you collect a [more sizable reward](#) by collecting and connecting evidence to all of the applicable laws of your case. Hiring an IRS whistleblower lawyer can also help you preserve your own privacy and protect you against retaliation by an unscrupulous employer.

### 2. File Form 211

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[Form 211](#) is the initial reporting form to become an IRS whistleblower. The form asks for information on the taxpayer you are reporting about, as well as your connection to them and how you obtained the information you seek to disclose.

Submitting an IRS whistleblower form 211 is the first step of filing a claim. Having an attorney by your side can ensure that you build the strongest possible case alongside IRS investigations and strengthen the chances of a successful payout.

### **3. IRS examines evidence**

Next, the IRS will examine the [available evidence](#) and decide on what steps to take. This phase often comes with a waiting period while the investigation is underway.

The IRS does not discuss ongoing tax fraud cases or update whistleblowers on the status of their investigation.

### **4. Wait to be notified**

IRS whistleblower rewards can be delayed months, even years, after initial discovery. The IRS will eventually notify the whistleblower when it has either decided not to pursue collection, or when it has reached a payment agreement. When a case is closed and payable, whistleblowers will be notified of the case status as well as the monetary award amount.

Unlike under FCA whistleblower law, if the IRS decides not to pursue an enforcement action, independent whistleblowers are not able to pursue the claim on their own.

## **How Can I Become Eligible for an IRS Whistleblower Reward?**

In order to become eligible to file an IRS whistleblower claim, there are several [steps](#) that must be taken:

- You must provide useful, unique, and substantial evidence about intentional efforts to avoid paying or filing the full amount of taxes owed.
- The IRS must investigate the matter themselves and reach a settlement with the party.
- The matter must involve a sum of at least \$2,000,000.

If all of these steps are followed, whistleblowers become entitled to receive up to 30 percent of the total recovery.

## **IRS Whistleblower: FAQ's**

### **1. Do I need to be a US citizen to receive an award under the IRS Whistleblower Program?**

You do not need to be a US citizen to report tax fraud or to collect an IRS whistleblower payout.

### **2. Am I eligible for an IRS whistleblower reward if I am not the first to report fraud?**

An IRS whistleblower reward can only be paid for undisclosed information that leads to a successful recovery of funds. However, if someone else reported different information about the same person or corporation, you may still be able to receive an award if what you share leads to further recovery.

### **3. Are IRS whistleblowers anonymous?**

Anonymous tax fraud reporting is possible via the IRS Whistleblower Program. To report tax fraud anonymously, the best practice is to retain a lawyer. By reporting through an IRS whistleblower attorney, you can safeguard your identity and ensure that you have the maximum protection possible.

### **4. Are tax fraud whistleblowers protected from employer retaliation?**

IRS whistleblower retaliation is prohibited, and whistleblowers are protected from firing, demotion, reduction of pay or hours, and harassment or threats. If your employer has retaliated against you because of your speaking up, get in touch with a whistleblower lawyer today. You may be eligible for back pay, reinstatement, and legal fees.

### **5. Should I hire a whistleblower lawyer before I report fraud?**

By hiring a whistleblower lawyer before reporting tax fraud, you are taking steps to preserve any evidence, protect your rights as a whistleblower, and avoid implicating yourself in any wrongdoing. You can also rest easy knowing that your case is in the hands of legal professionals whose job it is to liaise with the IRS, instead of involving yourself directly in what can be a complex and lengthy legal matter.

## **Ask an Attorney about whether You Can Get a Reward for Reporting Tax Fraud**

No one loves paying taxes, but IRS whistleblowers can be rewarded for doing the right thing and reducing fraud that hurts everyone. Paying the appropriate amount in taxes is part of what enables our society help the most needy, provide services that everyone uses, and keep America and the world safe.

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