

STAFF RECOMMENDATION

Federal law enforcement agencies should establish clear procedures for handling Internal Revenue Service referrals of possible non-tax violations.

Federal law enforcement agencies should establish procedures for open communication between the agencies and the IRS to ensure coordinated and comprehensive investigations of cases referred from the IRS. For example, law enforcement agencies should establish written procedures for enforcement personnel to follow to ensure follow-through for proper investigation of IRS referrals. The referral agency should prepare and include within the IRS case file, written confirmation regarding the conclusion or declination of its investigation.

Internal Revenue Code (IRC) section 6103 should not deter the IRS or the referral agency from requesting or receiving relevant information in order for the referral agency to timely, efficiently, and effectively investigate the IRS referral. IRC section 6103 is a complicated and lengthy provision of the tax code that deals with the confidentiality of taxpayer information. The statute provides safeguards and procedures that allow the IRS to share information with a law enforcement agency, and vice versa. Because referrals from the IRS involve taxpayer information, employees of the agency are subject to the criminal and civil sanctions imposed by IRC section 6103. Therefore, the procedures should include a discussion of section 6103 and the ability within such section to access the taxpayer information needed in order to conduct a thorough investigation of possible non-tax violations of Federal law.