

Internal Revenue Service, Treasury

§ 301.7623-1

the certification of which is authorized by separate order or directive.

(Sec. 7805, Internal Revenue Code of 1954, 68A Stat. 917; 26 U.S.C. 7805)

[T.D. 7359, 40 FR 23743, June 2, 1975]

§ 301.7623-1 Rewards for information relating to violations of internal revenue laws.

(a) *In general.* In cases where rewards are not otherwise provided for by law, a district or service center director may approve a reward, in a suitable amount, for information that leads to the detection of underpayments of tax, or the detection and bringing to trial and punishment of persons guilty of violating the internal revenue laws or conniving at the same. The rewards provided for by section 7623 and this section will be paid from the proceeds of amounts (other than interest) collected by reason of the information provided. For purposes of section 7623 and this section, proceeds of amounts (other than interest) collected by reason of the information provided include both additional amounts collected because of the information provided and amounts collected prior to receipt of the information if the information leads to the denial of a claim for refund that otherwise would have been paid.

(b) *Eligibility to file claim for reward—*

(1) *In general.* Any person, other than certain present or former federal employees described in paragraph (b)(2) of this section, that submits, in the manner described in paragraph (d) of this section, information relating to the violation of an internal revenue law is eligible to file a claim for reward under section 7623 and this section.

(2) *Federal employees.* No person who was an officer or employee of the Department of the Treasury at the time the individual came into possession of information relating to violations of the internal revenue laws, or at the time the individual divulged such information, is eligible for a reward under section 7623 and this section. Any other current or former federal employee is eligible to file a claim for reward if the information provided came to the individual's knowledge other than in the course of the individual's official duties.

(3) *Deceased informants.* A claim for reward may be filed by an executor, administrator, or other legal representative on behalf of a deceased informant if, prior to the informant's death, the informant was eligible to file a claim for such reward under section 7623 and this section. Certified copies of the letters testamentary, letters of administration, or other similar evidence must be attached to the claim for reward on behalf of a deceased informant in order to show the authority of the legal representative to file the claim.

(c) *Amount and payment of reward.* All relevant factors, including the value of the information furnished in relation to the facts developed by the investigation of the violation, will be taken into account by a district or service center director in determining whether a reward will be paid, and, if so, the amount of the reward. The amount of a reward will represent what the district or service center director deems to be adequate compensation in the particular case, generally not to exceed fifteen percent of the amounts (other than interest) collected by reason of the information. Payment of a reward will be made as promptly as the circumstances of the case permit, but not until the taxes, penalties, or fines involved have been collected. However, if the informant waives any claim for reward with respect to an uncollected portion of the taxes, penalties, or fines involved, the claim may be immediately processed. Partial reward payments, without waiver of the uncollected portion of the taxes, penalties, or fines involved, may be made when a criminal fine has been collected prior to completion of the civil aspects of a case, and also when there are multiple tax years involved and the deficiency for one or more of the years has been paid in full. No person is authorized under this section to make any offer, or promise, or otherwise to bind a district or service center director with respect to the payment of any reward or the amount of the reward.

(d) *Submission of information.* A person that desires to claim a reward under section 7623 and this section may submit information relating to violations of the internal revenue laws, in person,

to the office of a district director, preferably to a representative of the Criminal Investigation Division. Such information may also be submitted in writing to the Commissioner of Internal Revenue, Attention: Assistant Commissioner (Criminal Investigation), 1111 Constitution Avenue, NW., Washington, DC 20224, to any district director, Attention: Chief, Criminal Investigation Division, or to any service center director. If the information is submitted in person, either orally or in writing, the name and official title of the person to whom it is submitted and the date on which it is submitted must be included in the formal claim for reward.

(e) *Identification of informant.* No unauthorized person will be advised of the identity of an informant.

(f) *Filing claim for reward.* An informant that intends to claim a reward under section 7623 and this section should notify the person to whom the information is submitted of such intention, and must file a formal claim on Form 211, Application for Reward for Original Information, signed by the informant in the informant's true name, as soon as practicable after the submission of the information. If other than the informant's true name was used in furnishing the information, satisfactory proof of identity as that of the informant must be included with the claim for reward.

(g) *Effective date.* This section is applicable with respect to rewards paid after January 29, 1997.

[T.D. 8780, 63 FR 44778, Aug. 21, 1998]

§ 301.7624-1 Reimbursement to State and local law enforcement agencies.

(a) *In general.* The Internal Revenue Service may reimburse a State or local law enforcement agency for expenses, such as salaries, overtime pay, per diem, and similar reasonable expenses, incurred in an investigation in which information is furnished to the Service that substantially contributes to the recovery of Federal taxes imposed with respect to illegal drug or related money laundering activities. The amount of reimbursement that may be paid shall not exceed the limits specified in paragraphs (e)(2) and (e)(3) of this section.

(b) *Information that substantially contributes to recovery of taxes—(1) Definition.* The Service generally will consider that information furnished by a State or local law enforcement agency substantially contributed to the recovery of taxes with respect to illegal drug or related money laundering activities provided the information was not already in the possession of the Service at the time the information is furnished by the State or local law enforcement agency, and

(i) Concerns a taxpayer who is not under examination or investigation by the Service at the time the information is furnished or has not already been selected by the Service for examination or investigation in the near future, or

(ii) Concerns a taxpayer who is under examination or has been selected for examination at the time the information is furnished but the information furnished would not normally have been discovered in the course of an ordinary investigation or examination by the Service. Also, information will generally be considered as substantially contributing to the recovery of taxes if it leads to the discovery of hidden assets owned by the taxpayer which are used to satisfy the taxpayer's assessed but otherwise uncollectable Federal tax liability with respect to illegal drug or related money laundering activities.

For purposes of this paragraph (b), information includes, but is not limited to, tax years of violations, aliases, addresses, social security numbers and/or employer identification numbers, financial data (bank accounts, assets, etc.) and their location, and any documentation that substantiates allegations concerning tax liability (books and records) and its location.

(2) *Examples:*

Example 1. A local police department's narcotics division has been gathering information on a suspected local drug dealer for approximately six months. Because this person is very cautious when handling narcotics, the local police have been unsuccessful in catching this person in possession of drugs. Rather than drop the case, the narcotics detective turns over to the local IRS Criminal Investigation Division (CID) office information concerning this person. At the time the