Whistleblower 11332-13W v. Commissioner, 142 T. C. 21 (2014)

The U. S. Tax Court ruled that it has jurisdiction to review IRS whistleblower award determinations when the whistleblower provided information both before and after the enactment of the 2006 Tax Relief and Health Care Act. This decision ensures judicial oversight of awards under I. R. C. § 7623(b), which mandates minimum awards for information leading to tax recovery, enhancing accountability and incentivizing whistleblower participation in detecting tax fraud.

Parties

Whistleblower 11332-13W, the petitioner, filed a claim against the Commissioner of Internal Revenue, the respondent, in the U. S. Tax Court. The whistleblower sought review of the Commissioner's determination on an award claim under I. R. C. § 7623(b).

Facts

Whistleblower 11332-13W discovered a tax fraud scheme involving their employer and related entities. After initial attempts to report the scheme were met with intimidation and lack of response, the whistleblower successfully engaged with the Department of Justice (DOJ) and the Internal Revenue Service (IRS) in June 2006. From June 2006 through the fall of 2009, the whistleblower continuously provided detailed information and documents concerning the scheme, which led to the IRS recovering over $30 million in taxes, penalties, and interest from one of the target taxpayers through a Non-Prosecution Agreement. The whistleblower filed a Form 211 in 2008 and resubmitted it in 2011, seeking an award under I. R. C. § 7623(b). The IRS granted a discretionary award under § 7623(a) but denied the claim under § 7623(b).

Procedural History

The whistleblower filed a petition in the U. S. Tax Court seeking review of the Commissioner's award determination. The Commissioner moved to dismiss for lack of jurisdiction, arguing that the Tax Court lacked jurisdiction because the information provided by the whistleblower predated the effective date of I. R. C. § 7623(b) on December 20, 2006. The whistleblower opposed the motion, asserting that the court had jurisdiction because they had provided information both before and after the enactment date of § 7623(b). The Tax Court denied the Commissioner's motion to dismiss.

Issue(s)

Whether the U. S. Tax Court has jurisdiction to review the Commissioner's whistleblower claim award determinations under I. R. C. § 7623(b) when the whistleblower provided information both before and after the enactment of the Tax Relief and Health Care Act of 2006, effective December 20, 2006?

© 2025 SCOTUSreports.com. All rights reserved.

Rule(s) of Law

I. R. C. § 7623(b) mandates a minimum award of 15% of collected proceeds resulting from administrative or judicial action based on information provided by a whistleblower. The Tax Court has exclusive jurisdiction over appeals of award determinations under § 7623(b)(4). The Internal Revenue Manual (IRM) and IRS Notice 2008-4 provide procedural guidance on whistleblower claims and awards.

Holding

The U. S. Tax Court held that it has jurisdiction to review the Commissioner's whistleblower claim award determinations under I. R. C. § 7623(b) when the whistleblower has alleged that they provided information both before and after the effective date of the Tax Relief and Health Care Act of 2006, December 20, 2006.

Reasoning

The court's reasoning hinged on the interpretation of I. R. C. § 7623(b) and the legislative intent behind the Tax Relief and Health Care Act of 2006. The court noted that the Act aimed to improve the whistleblower program by providing judicial review of award determinations, which was lacking under the discretionary regime of § 7623(a). The court analyzed the whistleblower's continuous provision of information from June 2006 through the fall of 2009, emphasizing that post-enactment information was not merely confirmatory but formed the basis of the IRS's action against the target taxpayers. The court referenced the Court of Federal Claims' decision in Dacosta v. United States, which established that the Tax Court has exclusive jurisdiction over such claims. The court found that the whistleblower's allegations were sufficient to establish jurisdiction, as they claimed the IRS used their post-enactment information to proceed against the targets. The court concluded that if these allegations were proven at trial, they would establish that the IRS acted on post-enactment information, thus warranting judicial review under § 7623(b).

Disposition

The U. S. Tax Court denied the Commissioner's motion to dismiss for lack of jurisdiction, allowing the case to proceed to determine the merits of the whistleblower's claim for an award under I. R. C. § 7623(b).

Significance/Impact

This decision is significant as it clarifies the Tax Court's jurisdiction over whistleblower award claims involving information provided before and after the enactment of the 2006 Tax Relief and Health Care Act. It reinforces the judicial oversight of the IRS's award determinations under § 7623(b), ensuring accountability and incentivizing whistleblower participation in detecting tax fraud. The ruling may lead to increased scrutiny and consistency in the handling of

© 2025 SCOTUSreports.com. All rights reserved.

whistleblower claims, potentially encouraging more individuals to come forward with information about tax violations. Subsequent cases have cited this decision to support the Tax Court’s jurisdiction over similar claims, impacting the procedural landscape for whistleblower litigation.

© 2025 SCOTUSreports.com. All rights reserved.