Whistleblower 972-17W v. Commissioner of Internal Revenue, 159 T. C. No. 1 (U. S. Tax Ct. 2022)

In a landmark decision, the U. S. Tax Court ruled that the IRS must provide unredacted administrative records in whistleblower cases, affirming its jurisdiction to review whistleblower claims and interpreting I. R. C. § 6103(h)(4)(A) to allow for such disclosures. This ruling impacts how whistleblower cases are handled, emphasizing the court's role in ensuring transparency and fairness in the award process.

Parties

Whistleblower 972-17W, as Petitioner, filed a petition against the Commissioner of Internal Revenue, as Respondent, in the U. S. Tax Court.

Facts

Whistleblower 972-17W provided information to the IRS about three target taxpayers. The IRS initiated actions against these taxpayers and collected proceeds. Despite this, the IRS Whistleblower Office (WBO) denied the whistleblower's claim for an award under I. R. C. § 7623(b). The whistleblower petitioned the U. S. Tax Court for review. The Court ordered the Commissioner to submit both redacted and unredacted copies of the administrative record, which included the target taxpayers' returns and return information. The Commissioner complied with the redacted copy but sought to be excused from filing the unredacted copy, citing I. R. C. § 6103 confidentiality concerns. The Court ordered an in camera review of the unredacted records, prompting the Commissioner to move for modification of the order, arguing that disclosure was not permitted under § 6103.

Procedural History

The whistleblower filed a petition in the U. S. Tax Court after the WBO denied the claim for an award. The Court initially ordered the Commissioner to submit the administrative record, both redacted and unredacted. The Commissioner complied with the redacted record but moved to modify the order regarding the unredacted record. The Court denied this motion, ordering an in camera review of the unredacted documents. The Commissioner then requested the Court to reconsider its order, leading to the present decision.

Issue(s)

Whether the U. S. Tax Court has jurisdiction to hear this whistleblower case under I. R. C. § 7623(b)(4)?

Whether I. R. C. § 6103(h)(4)(A) authorizes the Commissioner to submit the unredacted administrative record to the Court for in camera review?

© 2025 SCOTUSreports.com. All rights reserved.

Rule(s) of Law

I. R. C. § 7623(b)(4) grants the Tax Court jurisdiction over appeals of determinations regarding whistleblower awards under § 7623(b)(1), (2), or (3).

I. R. C. § 6103(h)(4)(A) permits the disclosure of returns or return information in a judicial proceeding pertaining to tax administration if "the taxpayer is a party to the proceeding, or the proceeding arose out of, or in connection with, determining the taxpayer's civil or criminal liability, or the collection of such civil liability, in respect of any tax imposed [by the Code]. "

Holding

The U. S. Tax Court has jurisdiction to hear this whistleblower case as per I. R. C. § 7623(b)(4), given that the IRS had proceeded with an action against the target taxpayers and collected proceeds.

I. R. C. § 6103(h)(4)(A) authorizes the Commissioner to submit the unredacted administrative record to the Court for in camera review, as the case arose in connection with determining the civil and criminal liabilities of the target taxpayers.

Reasoning

The Court's jurisdiction was affirmed based on the reasoning in Li v. Commissioner, where the D. C. Circuit established that the Tax Court's jurisdiction depends on the IRS proceeding with an action against the target taxpayers. The Court found that the case before it satisfied this criterion, as the IRS had indeed acted and collected proceeds based on the whistleblower's information.

The Court interpreted I. R. C. § 6103(h)(4)(A) to allow disclosure of the unredacted administrative record. It emphasized that the phrase "in connection with" is broad, encompassing any logical or causal connection to the determination of the target taxpayers' liabilities. The Court rejected the Commissioner's narrower interpretation, which required a direct legal liability or sanction from the government and a pre-existing relationship between the parties. The Court found that the whistleblower's case was inextricably linked to the determination of the target taxpayers' liabilities, as the IRS's actions and outcomes were direct causes of the proceeding, and the whistleblower's contribution to those actions was central to the merits of the case.

The Court also addressed the Commissioner's arguments based on legislative history and statutory purpose, concluding that these did not support a narrower reading of § 6103(h)(4)(A). The legislative history provided illustrative examples but was not exhaustive, and the statutory purpose of balancing confidentiality with other interests supported the Court's broader interpretation. The Court noted that the Commissioner could still seek redactions under other rules if necessary, but could not use § 6103(a) to resist disclosure when § 6103(h)(4)(A) applied.

© 2025 SCOTUSreports.com. All rights reserved.

Disposition

The Court denied the Commissioner's motion to modify its order, affirming its jurisdiction and the applicability of I. R. C. § 6103(h)(4)(A) to authorize the submission of the unredacted administrative record for in camera review.

Significance/Impact

This decision significantly impacts whistleblower litigation by affirming the Tax Court's jurisdiction over cases where the IRS has acted on whistleblower information and collected proceeds. It also clarifies the scope of § 6103(h)(4)(A), allowing for the disclosure of unredacted administrative records in such cases, which enhances transparency and the ability of whistleblowers to challenge WBO determinations effectively. The ruling may influence future cases by setting a precedent for the interpretation of "in connection with" in the context of tax administration proceedings, potentially affecting the confidentiality of taxpayer information in whistleblower cases.

© 2025 SCOTUSreports.com. All rights reserved.