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Internal Revenue 'Horror Stories'

Par 4/1/78

Few stories have so infuriated the taxpayers, as they make out their returns this month, than the discovery that President Nixon for two years paid less taxes than did many an unskilled ditch digger.

The Internal Revenue Service conducted a polite audit and notified the President: "Our examination of your income tax returns for the years 1971 and 1972 revealed that they are correct." The IRS even complimented him "on the care shown in the preparation of your returns."

Now a joint congressional committee, which investigated the President's returns at his invitation, has come up with evidence that the IRS audit was a whitewash. A staff report charges he owes a staggering \$476,531 in back taxes.

The government's tax collectors, after all, are sworn not to favor Presidents over paupers. Yet a Senate subcommittee has found that the IRS often browbeats and bullies millions of ordinary citizens who patiently pay their fair taxes before April 15 year after year.

Later this week, the subcommittee under Sen. Joseph Montoya (D-N.M.), will hear from ex-IRS agents, tax experts and individual taxpayers. These witnesses, backed by Montoya's detective work, will charge that the IRS doesn't always understand the difference between "prosecute" and "persecute." Some authorities go after unpaid taxes as if it were their lone mission to collect enough revenue for President Nixon to reduce his budget.

Montoya's investigators have prepared a confidential staff report, citing heretofore unknown but "documented horror stories," which will be revealed at the hearings. Witnesses will tell of their "fear" of the IRS "based on past experience and hearsay," the report states. There will be testimony, too, about the "dangers faced by 'the little guy' in the middle of complex and sometimes unfair IRS audit procedures."

One of the most discomfiting facts turned up by Montoya is that revenue agents, despite IRS denials, still are saddled with "a dollar production" quota. This sometimes forces them to order arbitrary audits. The national target quota for 1972, Montoya has learned, was \$3.4 billion.

Although the quotas are merely "recommended," the Senate sleuths can show that district directors who fall below the "recommended tax and penalties" quota can expect quiet pressure from Washington. Indeed, the IRS is so eager to hold agents responsible for specific sums that separate quota estimates are set for individuals, financial institutions, estates, gift taxes and excise taxes.

The biggest audit quotas were assigned in 1973 to the North Atlantic states, followed by the Midwest, Middle Atlantic, Central Region, Southeast and Southwest. The three cities expected to produce the highest quota income are New York (Manhattan), Chicago and Los Angeles.

Among the "horror stories" uncovered by Montoya are these:

- Montoya's men put the same identical tax question to two IRS counselors, one in Washington, D.C., the other in Topeka, Kans. The IRS experts gave exactly opposite answers. Yet if the taxpayer had misguessed which IRS expert to believe, he might have been audited.

- An "exemption was allowed for a taxpayer's mother in 1970 but disallowed in 1971" on the same set of facts. The taxpayer, of course, was "entitled to exemption in both cases."

- A Chinese-speaking taxpayer not only was denied exemption for his four children but was billed \$600 for them. The IRS refused to make a correction until the Community Tax Aid organization in New York squeezed out both a correction and an apology.

- The IRS sent an amended tax form to a taxpayer with a handwritten note

at the bottom requesting: "Please sign . . . Return this copy." The form was a waiver of all the taxpayer's rights.

- The IRS computers have been used almost exclusively to catch taxpayers who pay too few taxes, almost never to help taxpayers who pay too much.

- President Nixon, members of Congress and other politicians get polite, patient counseling from IRS at tax time. But the IRS' telephone counseling service for non-politicians is sometimes manned by incompetents. No more than a high school education and two weeks of training will qualify an employee as a "tax expert." While some give excellent advice, wrong information is commonplace.

- The IRS set up a service center for city dwellers, intended chiefly for the elderly and the poor, far from any public transportation outside the city. In another case, an IRS service center had an unlisted phone number.

- Among the most dramatic witnesses will be Hank Greenspun, the flamboyant Las Vegas publisher. The Montoya study says Greenspun will describe his own "audit harassment" by the IRS. He was supposed to have been the target of a break-in by the White House "plumbers" who reportedly sought certain Howard Hughes documents in Greenspun's safe. Thereafter, Greenspun suddenly found himself the victim of an IRS audit which, after extraordinary harassment, gave him a clean bill.

Among the reforms, which Montoya is considering, are free legal assistance to help taxpayers with their returns and a year-round filing system.

Footnote: To the credit of the IRS, Commissioner Donald Alexander, acting on Montoya's recommendations last year, has tried to enforce some reforms. But Alexander, who Montoya has quipped "at least listens better than most IRS Commissioners," has had trouble getting old IRS hands to accept his reforms.

United Feature Syndicate, Inc.