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Intelligence Gathering and the IRS

The current congressional investigations into the surveillance of American citizens by federal agencies will not be complete unless the committees take a hard look at the intelligence-gathering activities of the Internal Revenue Service.

There is ample evidence that the IRS gathered information on the personal and private activities of individuals from all walks of life, not because they were suspected of tax violations, but for political reasons. A 344-page report issued in December by the Senate

Louise Brown reports on the IRS for People & Taxes, published monthly by the Public Citizen Tax Reform Research Group.

Constitutional Rights Subcommittee described how the IRS's eight-man Special Service Staff (SSS), which operated secretly between 1969 and 1973 in the tax agency's Washington office, singled out political activists and White House "enemies" for surveillance.

The report found that the material gathered on 11,458 individuals and organizations "was used to stigmatize" them as "somehow inherently suspect and likely to be in violation of the tax statutes or other laws." This singling out, said the subcommittee chairman, Sen. Sam Ervin (D-N.C.), was a "serious misuse of the tax power." The SSS did not disband until it was exposed by John Dean during his testimony at the Watergate hearings in 1973.

Recently the Philadelphia Bulletin uncovered another separate IRS intelligence operation called the "Intelligence Gathering and Retrieval System (IGRS). It began in 1969. But not until May 1973, four years later, did the IRS issue its first formal guidelines for IGRS activities. These guidelines, the IRS explained recently, called for the IGRS to gather intelligence "relating to individuals or entities involved in illegal activities and having potential as tax violations." In March 1974, the reference to "illegal activities" was dropped.

IGRS agents, according to IRS spokesman Leon Levine, are part of the IRS Intelligence Division and their job is to supply IRS offices throughout the country with information on potential tax law violations. The files they gather are kept in IRS district and branch offices, and the names associated with the files are entered in computerized district indexes. As of Jan. 15, 1975, the names of 465,442 individuals and firms were stored in indexes compiled in 45 IRS district of-

nices.

But the Bulletin said that IGRS units do more than gather information on tax violations. In a Jan. 27 story, the newspaper reported that IGRS agents gathered personal, non-tax data on local politicians and celebrities, including their drinking and sexual habits, their friends and presumed political leanings, and their families, and that at least in some cities they kept "close contact" with the Central Intelligence Agency.

Five days later the Miami News, quoting an IRS source, reported that the Miami IGRS office had compiled data on persons President Nixon considered his enemies. The Miami News source, an agent originally hired by the IRS for his expertise as a tax accountant, said that when he went to work for the IGRS in 1971, he was told the unit would be "working in direct contact with the White House." He also told the News, "We gave some information that was 'damaging' to people to the FBI, and at times to the CIA."

Meanwhile, according to Philadelphia Bulletin sources, the IRS on Jan. 23 or 24 ordered the IGRS units to disband and destroy their sensitive files, because the tax agency was afraid that current probes into illegal domestic activities of the CIA might soon reach the IRS and the IGRS. The Bulletin reported that the orders directed that IGRS's agents be reassigned to other

units, its secretaries dispersed, magnetic tapes erased, and paper files secured.

In response to congressional inquiries which followed the Bulletin story, IRS Commissioner Donald G. Alexander denied that orders had gone out to destroy the files. But he did not assert that unauthorized destruction of documents and tapes could not have occurred. The inquiries included a letter from Senate Majority Leader Mike Mansfield (D-Mont.) and Minority Leader Hugh Scott (R-Pa.) who wrote to Alexander requesting that he halt any destruction of IGRS documents and on Jan. 30, Alexander issued an order to prevent such destruction. The next day, he wrote to Sen. Frank Church (D-Idaho), pledging the "full cooperation and assistance" of the IRS in the work of the Senate's select committee on illegal surveillance, even though Church had not written the IRS.

As for personnel transfers, the IRS acknowledged that, on Jan. 22, a memo signed by Deputy Commissioner Bill Williams went out to the field suspending all information-gathering activities and reassigning IGRS employees to "their regular examination and investigative duties."

A Jan. 27 IRS fact sheet attempted to explain the reason for the order. It resulted, the fact sheet stated, from a "study" of IGRS started in December,

1974, to make sure that the information being gathered was "directly tax-related." Levine said the study began because the IRS was shaken by earlier publicity about the Special Service Staff and because recent laws posed new disclosure problems for the agency.

However, when the Public Citizen Tax Reform Research Group asked to see documents relating to the "study," Levine said no study had actually been done. He said that IRS Deputy Commissioner Williams had taken a random survey by telephone of half a dozen district offices to find out what kind of information IGRS supplied to the intelligence files. According to Levine, when Williams found there was no clear perception of the criteria to be used in collecting information, he issued the Jan. 22 suspension order.

Levine asserted that top officials in the IRS do not know specifically what information is gathered in the field, but they have reviewed files in districts close to Washington and have found "nothing like the items described in the newspaper articles." However, he reported that IRS officials from the Washington, Atlanta and Jacksonville offices moved in on the Miami office to check on its IGRS operations.

All the material disclosed to date would seem to provide ample reason for a full congressional investigation into IRS activities to find out how far the Special Service Staff and IGRS operations departed from procedures the IRS ordinarily uses to make sure that taxpayers are obeying the law.

The IRS usually inspects tax returns which are selected impartially by computers, or chosen because they relate to patterns of non-compliance (such as persons whose incomes depend heavily on tips). Others are selected as a result

of tax fraud investigations by the 2,500-man intelligence force.

Yet, the Special Service Staff singled out its targets for non-tax reasons. Included among them, according to official IRS documents turned over by the agency to the Tax Reform Research Group, were the Black Panthers, the John Birch Society, Americans for Democratic Action, the Urban League, the National Council of Churches and the Unitarian Society.

A 1969 briefing paper prepared by SSS Chief Paul H. Wright noted the SSS was "formed to collect relevant information on organizations predominantly dissident or extremist in nature and on people prominently identified with the organizations."

Also worthy of investigation are IRS's relations with other intelligence agencies. According to the Constitutional Rights subcommittee, the SSS files were regularly fed by reports from the FBI and the Justice Department's Internal Security Division. The Division, in turn, was receiving information from the Central Intelligence Agency, according to a "senior government intelligence official" quoted in The Washington Post, Jan. 11.

The FBI material, according to the Ervin subcommittee, included background checks for security clearances and reports of interviews with neighbors, university administrators, employers and colleagues.

The Ervin report said that the SSS "solidified" its working relationship with the Justice Department's Internal Security Division in 1971, when Robert Mardian, recently convicted as a Watergate conspirator, became Assistant Attorney General for Internal Security. In 1969 and again in 1971, the Internal Security Division supplied the SSS with "at least two editions" of its 16,000-name list of people who had been arrested in civil disturbances during the 1960s and early 1970s.

In his statement to the press last December, Sen. Ervin called the SSS "fair," "the most significant chapter to date in the gradually unravelling story of political misuse of the tax-collecting power." The Philadelphia Bulletin and Miami News stories add another chapter to the story.

The IRS has only one job to do, and that is to collect taxes. Congress has given the IRS vast powers to do the job but Congress also has a duty to make certain that IRS never uses its powers for political purposes, or for any purpose other than the fair and evenhanded collection of revenue.

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