

Rules Will Curb New IRS Intelligence Role

" . . . It has been decided to inaugurate a system of exchange of information between districts on the activities of racketeers from a master record being set up in Washington on every important racketeer in the country."—Memo dated Aug. 5, 1952, to all IRS agents.

" . . . Information-gathering activities conducted by any function of the service . . . shall be suspended immediately. Personnel currently assigned to these activities shall be reassigned to the regular examination and investigative duties for which the respective functions are responsible."—Telegram dated Jan. 22, 1975, to IRS regional offices.

By GAYLORD SHAW

Los Angeles Times

WASHINGTON — The first directive heralded the birth of a national intelligence-gathering system within the Internal Revenue Service.

The second, issued nearly 23 years later, ordered its temporary demise.

Tomorrow another directive will flow from the fortress-like IRS headquarters on Constitution Av. In it, Commissioner Donald C. Alexander will outline regulations allowing intelligence-gathering activities to resume on a limited basis.

The regulations, sources say, will allow agents to collect tax-related intelligence only.

The sources say the guidelines will place new controls on the agency's use of paid informants. And they say the rules could eventually lead to the destruction of an estimated one-third of the data collected over the years by intelligence agents.

This data went into the Intelligence Gathering and Retrieval System (IGRS) which, when its operations were suspended in January, contained 465,442 names, including 85,387 in the Los Angeles district alone.

Alexander's directive is certain to be hailed by liberals in Congress and others who contend the IRS has overstepped its role as tax collector and infringed on the Constitutional rights of Americans by gathering intelligence unrelated to the tax system.

But the directive is expected to compound the turmoil within the ranks of the IRS' 2700 special agents. They are the elite investigative corps credited with major successes in curbing tax evasion and other illegal activities of organized crime figures and corrupt politicians.

The special agents have made no secret of their unhappiness over this series of ac-

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tions by Alexander during the past five months.

¶ The suspension of all IRS intelligence-gathering activities throughout the country during the review of such operations.

¶ The halting of payments to confidential informants, and the ordering of all agents to divulge to superiors the names of their informants.

¶ The ordering of agents to turn over all their personal investigative files for inspection by higher level officials.

The controversy is two-sided.

On one side are veteran IRS agents and other law enforcement personnel who contend that the methods of concealing income are so sophisticated that they must collect and sort many pieces

of intelligence to track down the flow of money.

Others contend that the IRS is a tax-collecting agency whose investigative powers should be limited to tax cases.

Alexander's moves to curb IRS non-tax activities followed widespread publicity generated by two offshoots of the intelligence-collecting apparatus.

One was the SSS—the Special Service Staff. Beginning in 1969, from the basement of IRS headquarters, the SSS ran an intelligence operation aimed at dissident organizations and political activists, including those on the Richard Nixon White House "enemies list."

Another was Project Leprechaun—the super-secret operation which until 1973 used paid informants to snoop on the private lives

of prominent Miami residents and feed data into the intelligence network.

In a post-Watergate Washington sensitive to privacy and misuse of government investigative powers, such revelations have prompted inquiries into IRS intelligence operations by no fewer than eight Congressional committees.

But the seeds of the current controversy predated Watergate by two decades.

"Individuals . . . in the racketeer class often have financial dealings in other cities, investing in hotels, real estate, etc., or participating in the operations of nightclubs, taverns, amusement enterprises, etc.," said a 1952 memo distributed by then-commissioner John B. Dunlap.

"It is possible that an examining officer checking a taxpayer in this category may not be aware of an additional activity in another area," Dunlap wrote. He added that therefore it was imperative that all agents promptly send to the national office any intelligence on racketeers—data from taxpayers' returns, reports on financial dealings, tips from informants and even newspaper clippings.

This was the start of a national intelligence-gathering system, but it was not until eight years later, in 1960, that procedures for the system were formally incorporated into the IRS manual, a thick guidebook for agents.

The 1960 guidelines were broadly phrased. Agents were told to collect data on "any taxpayer who has engaged in organized crime or activities generally regarded as illegal . . ."

As a result of the loosely

worded guidelines over the years, the IRS now acknowledges that "certain items in the system may not be clearly tax related while others may contain both tax related and non-tax related information."

It was reported last week that the intelligence files contained entries on a number of prominent figures, including Doris Day, Dean Martin, Frank Sinatra, John Wayne, Los Angeles Mayor Tom Bradley and former U.S. Ambassador to Britain Walter Annenberg. The report offered no explanation of why they were listed.