

House Urged to Delay Hearings On I. R. S. Intelligence Programs

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WASHINGTON, Sept. 24 — The Department of Justice has urged a House investigating subcommittee to hold off public hearings on two top secret tax intelligence programs because disclosure might disrupt several potential prosecutions, House and departmental sources said today.

At this juncture it appears that the Oversight Subcommittee of the House Ways and Means Committee will comply with the request. It has not taken formal action on the matter.

The two related programs, one code-named Tradewinds and the other dubbed Haven, were set up nearly 10 years ago by the Internal Revenue Service to trace unreported investments by Americans in the Bahamas and several Caribbean states.

Earlier this year, according to well-placed Federal law enforcement officials, Donald C. Alexander, Commissioner of Internal Revenue, cut back support for the operations without explanation.

A spokesman for the I.R.S. would not confirm that support had been reduced, but said the programs were under "internal investigation as the result of questions raised by internal review of procedures." He would not elaborate on the ground that there "are open cases involved."

Some Federal law enforcement sources said that they believe, as one put it, "Tradewinds was one of the most valuable and most imaginative law enforcement tools I.R.S. ever devised."

Unreported Income

In the mid-Nineteen sixties, they said, Federal agencies discovered that last amounts of unreported income from both racketeering sources and unscrupulous businessmen were being smuggled out of the country and placed in secret bank accounts in such countries as the Bahamas, The Netherlands Antilles and Switzerland.

Tradewinds, these sources said, was devised to gain information from the Bahamas. They said the revenue agency had paid "confidential informants" to obtain the names and amounts of investment of Americans.

The program, Federal tax intelligence officials said, was cleared with the Department of Justice and the State Department. All purchases of information they said, were made on United States soil.

Names of the Americans, these sources said, were sent

from the Miami I.R.S. office to a clearinghouse operation in the national headquarters named "Operation Haven."

In one phase of the operation, two years ago, the revenue agency obtained hundreds of names of investors in a Bahamas banking institution that specialized in secret trust accounts, these sources said. Many of the investors, they said, were taking advantage of the tax code's legal options for foreign investment.

Secret Accounts

But others were both banking unreported income that was subject to Federal taxation or making investments back into the United States through the secret accounts.

What has made the Program vulnerable to criticism, Federal investigators concede, is the means that might have been used within the Bahamas to obtain the material. One former senior I.R.S. source said he had blocked an effort to bribe Bahamian banking officials. "I didn't believe U.S. Government money should be used for bribery," he said.

Nevertheless, it is against Bahamian law for information on individual bank accounts to be disclosed. "We never told the C.I. [confidential informant] how to obtain the information and that was his affair," one long-time agent said. "The information was reliable—that was what was important."

But this source could not rule out that the "C.I." may have used bribery, fraud or burglary to obtain the information that ended up at the I.R.S. He said, "The I.R.S. has to receive information from unsavory people in a lot of cases and sometimes we know the information came as a result of a theft. But we didn't order it."

Earlier this week, the Miami Herald reported that Richard Jaffe, a Miami-based special agent, was refusing to tell I.R.S. inspectors who his sources of information in the Bahamas were. Mr. Jaffe, the paper said, was the contact man in the Tradewinds operation.

Mr. Jaffe's reluctance to disclose the names of his sources, even to revenue agency officials, is not unique. Several I.R.S. intelligence agents in New York sued Mr. Alexander earlier this year to protect the

For nearly nine months, Mr. Alexander has appeared to be slipping into a deeper controversy over the 2,300 or so intelligence agents of the I.R.S. and its criminal investigation activities. He has said that he wants to end improper criminal investigation techniques by tax men.