

CIA (D)

I.R.S. Says It Has Legal Means Of Tracing Secret Bank Funds

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WASHINGTON, Oct. 6—The Commissioner of the Internal Revenue Service told a Kouse committee today that the I.R.S. did not have to rely on illegal methods to get the names of Americans who open secret foreign bank accounts to avoid taxes.

Commissioner Donald C. Alexander, who has come under criticism for approving the suspension of a program that obtained the names of Americans with secret Bahamian accounts, said that his agency had made headway on the problem in other countries through negotiation and cooperation.

Ke said that in Switzerland, for example, the I.R.S. had arranged to receive information in exchange for its willingness to help the Swiss trace investments in the United States.

"The way to do this, to get this job done, is to use this technique," he said.

Mr. Alexander testified at a four-and-a-half-hour session of the House Subcommittee on Commerce and Monetary Affairs, which is headed by Representative Benjamin S. Rosenthal, Democrat of Queens.

\$58-Million Taxable

Mr. Rosenthal's panel is investigating why the I.R.S. suspended Operation Tradewinds and limited the operations of a sister program, Haven, in which it investigated the finances of Americans found to have secret bank accounts in the Bahamas.

In today's testimony it was disclosed that the two projects resulted in the discovery of

\$58-million in undisclosed taxable income. There was no figure on exactly how much of that money had been recouped by the agency.

The witnesses from the revenue service, including Mr. Alexander, said they could not tell the committee how much the two projects cost. Representative Edward Mezvinsky, Democrat of Iowa, who is on the panel, said he had been told one figure might be as low as \$50,000.

Distracted by a Woman

The Tradewinds operation, it has been brought out by I.R.S. officials, involved covertly paying Bahamian officials for the names of Americans who opened secret accounts. The acceptance of such payments is a violation of Bahamian law. Today, I.R.S. officials said that there was no legal reason why evidence obtained in this manner could not be used in an American court, but they said that they had made a "policy" decision not to use it in the future.

In January, 1973, the testimony confirmed, the revenue service obtained the names of 300 Americans with such deposits by photographing the contents of a briefcase belonging to a Bahamian while the man was having dinner with a woman companion. The briefcase was obtained by a paid informant of the I.R.S. who had arranged for the woman to distract the Bahamian.

Mr. Alexander approved decisions in early 1975 that suspended Operation Tradewinds.