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Tax Evasion Probe Is Taken Out of IRS Hands

Miami

The Justice Department has taken control of an Internal Revenue Service investigation into U.S. tax evasion schemes by wealthy Americans who have secret Caribbean bank accounts, the Los Angeles Times learned yesterday.

The department's unannounced action was confirmed by sources here and in Washington. Two sources said it represents a rebuff to IRS Commissioner Donald C. Alexander, whose handling of criminal tax enforcement projects has stirred controversy within his own agency.

However, Loen Levine, an IRS spokesman in Washington, denied the action was a rebuff to Alexander. Levine said Alexander had "agreed and acquiesced" to the Justice Department's handling of key elements of Project Haven, and investigation into tax evasion schemes involving hundreds of million of dollars.

It is considered likely that Justice Department lawyers will begin using grand jury procedures to delve into the Caribbean tax evasion schemes, which reportedly involve organized crime figures as well as some prominent businessmen and companies.

To the dismay of many agents, IRS officials last August suspended Project Haven. The officials questioned whether a list of 300 U.S. taxpayers who had numbered Bahamian bank accounts were legally obtained by the IRS.

The list was temporarily removed and photographed from the briefcase of a Nassau banker while he was dining with a woman

companion arranged for by an IRS informant.

The suspension was approved by Alexander 2½ years after the briefcase incident had occurred.

In the interim, IRS agents had looked into the background of the briefcase names with the blessing of Justice Department lawyers who understood how the list had been obtained and apparently saw no legal problems in using it.

Los Angeles Times