

Head of IRS accused of hampering tax probe

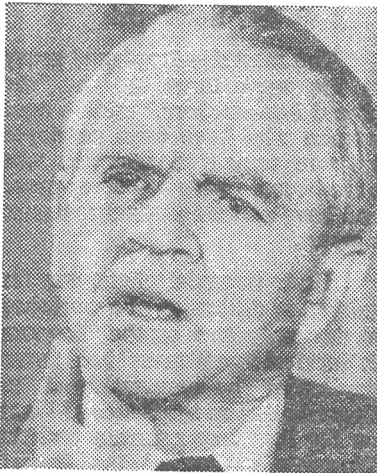
By Larry Kramer

The head of the Internal Revenue Service and other administration officials are hampering an IRS-Justice Department investigation into possible tax fraud by several prominent and wealthy Americans, according to the head of a congressional watch dog committee.

Correspondence between Rep. Charles Vanik, D-Ohio, head of the House Ways and Means oversight subcommittee, and the Justice Department reveals serious concern over remarks IRS Commissioner Donald Alexander made in a recent interview with the Examiner.*

In a letter to the Justice Department immediately after the interview with Alexander was published, Vanik cited a "surprising" number of official actions and statements over the last year "which have threatened to do in Project Haven (the code tax-fraud name for the investigation.)"

"There have been so many that one may reasonably ask whether



Donald Alexander

these actions and statements were accidental, inadvertent or just plain deliberate," Vanik said. He called Project Haven "the most important tax-fraud investigation in history."

Among the incidents cited:

• According to Vanik: "There was an order which was given January 1975 suspending all IRS

projects and information gathering. This order brought Haven to a screeching halt. This total freeze lasted six months. New regulations issued in late June 1975 provided a partial thaw, but the project moved at a glacially slow pace until it was taken over by the Justice Department in November."

• In June 1975, after a two-year campaign, an order was given to remove the foreign bank account question from the IRS 1040 form. That question asked the taxpayer if he or she had a foreign bank account and was considered essential by many IRS investigators working on Project Haven.

• On July 31, 1975, IRS Commissioner Alexander proposed to the Ways and Means oversight subcommittee that it conduct public hearings on Project Haven. According to a congressional source, he promised the committee "sexy front-page news."

But when subcommittee chairman Vanik checked with the Justice Department, he was told the hearings would damage at least "two cases being considered for criminal prosecution."

• After the public hearings were cancelled, Alexander and other top IRS officials held a news conference anyway and made the same information public — subjecting the Haven investigations to the same jeopardy as would have resulted from public hearings.

• Last March the IRS gave 90 pages of Project Haven reports to a Chicago lawyer under indictment in the inquiry. The reports were handed over in response to a request under the Freedom of Information Act. This was deemed a "clerical error" by IRS officials later, when they admitted the reports should never have left the IRS' hands. According to Vanik: "The release of these documents will be very damaging to the government. They provide those under investigation with a blue-

print on how to elude prosecution."

• In what Vanik calls "the crowning blow," Alexander made misleading remarks in a taped interview with the Examiner that already may have jeopardized one major IRS prosecution.

Six top IRS officials, in a round-table, three-hour interview with the Examiner requested by Alexander, in at least one instance seriously misled the public. They made public part of a memo from their office of chief counsel that would not otherwise have been discoverable. They quoted a section of the memo out of context, making it appear that IRS agents involved in the Haven investigation had obtained evidence illegally.

They neglected to tell the reporters, however, that the conclusion was based on a hypothetical situation, not factual information.

When asked for the full memo, two days after the interview appeared in print, Alexander's office refused to divulge it."

Since then the Examiner has obtained the memo, which when read in full comes to conclusions opposite those advanced by the IRS officials in the interviews.

A Justice Department letter to Vanik states that Haven prosecutions will be hindered by the statements made in the interview. It also says that had the memo been read in full, it would have been recognized as consistent with the

Justice Department policy to prosecute the cases.

The Examiner also has obtained a Miami federal court order, dated Feb. 24, 1976, which says the actions of IRS agents in question were within the bounds of the law, and not in violation of the Fourth Amendment.

The IRS top management has denied it is trying to sabotage the probe, but will not make further comment because the IRS chief counsel has ordered officials to "stop talking" on the subject.

Alexander has said he wants the probe to continue and blames the charges against him on a small group of politically motivated congressional staffers "out to get me."

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