

I.R.S. IS EXAMINING INFORMER ABUSES

MAY 15 1975

Inquiry Focuses on Way Its
Men Used Paid Contacts
in 22 Tax Districts
NYTimes

By NICHOLAS M. HORROCK
Special to The New York Times

WASHINGTON, May 14—The Internal Revenue Service is conducting a sweeping internal investigation of how its agents used paid informers in 22 selected tax districts, Commissioner Donald C. Alexander said today.

The agency, he said, is also looking into procedural abuses in Philadelphia, Baltimore and Miami.

In testimony before a House Government Operations subcommittee, Mr. Alexander and William E. Simon, Secretary of the Treasury, disclosed that the I.R.S. had called the Department of Justice and the Federal Bureau of Investigation into an investigation of allegations that tax men paid informers in Miami to spy on the sex lives and drinking habits of 30 prominent Floridians.

It is the most comprehensive internal investigation of the I.R.S. since the service was reorganized after exposure of graft and corruption in the early nineteen-fifties, according to several longtime Capitol Hill aides.

The focus of both internal inquiries and investigations by Congressional committees ex-

Continued on Page 29, Column 5

Continued From Page 1, Col. 4

tends to allegations of illegal wiretapping, political favors for the White House, unrestricted release of private tax data and the collecting of intelligence for nontax purposes.

In today's hearing by the Commerce, Consumer and Monetary Affairs Subcommittee of the House Government Operations Committee, Mr. Simon and Mr. Alexander were responding to a written interrogatory from Representative Benjamin S. Rosenthal, Democrat of Queens, as well as oral questioning by subcommittee members.

Mr. Simon said that after the revenue service began its own investigation of the Miami spy plan, dubbed Operation Leprechaun by I.R.S. agents, it called in the Justice Department, which, he said, has assigned "an experienced criminal lawyer to review the evidence that is gathered and to consult with the inspection service [of the I.R.S.] on the progress of the investigation." He said the F.B.I. would also be investigating and that if evidence of criminal activity

is developed, appropriate prosecutions are undertaken."

According to allegations by a former I.R.S. informer in Miami, Operation Leprechaun was set up to learn about the sex lives and drinking habits of some 30 persons, including three Federal judges, the Dade County State's Attorney and several local politicians.

Miami Case Is Spur

The investigation of Operation Leprechaun has been going on for three months and Mr. Alexander declined to predict when it would be completed. He said, however, that the Miami situation had been the impetus for a wide-ranging inquiry into the use of informers.

He said the service had selected 22 districts, chosen because they are areas where large numbers of informers are utilized, for a review of informer assignments, value and pay structure.

Meanwhile, Mr. Alexander confirmed, payments to informers must now be cleared at the highest level of the I.R.S. He said he still had no figure on how much money was given to informers last year but said the budget item for payments

to informers and payments to banks for services was more than \$500,000.

Mr. Alexander said that the revenue service was also investigating charges in Baltimore that its agents had illegally wiretapped The News-American newspaper offices. He said, however, that one of the principal complainants in the case was not cooperating with the I.R.S. The case was brought to light when a News-American reporter said that an I.R.S. agent had reported, verbatim, a telephone conversation the reporter had had with a local government official.

Philadelphia Charges

Mr. Alexander said that the I.R.S. was also investigating charges emanating from the Philadelphia tax office that the revenue service had soft-pedaled investigations of internal corruption, but he said he felt that this allegation was less serious than the Miami and Baltimore charges.

The two Treasury officials were also questioned about whether the revenue service was cracking down on cases arising from charges that Unit-

ed States industry used secret political funds for bribery abroad and illegal political contributions at home. Mr. Alexander said that the revenue service was investigating the tax implications of these actions, but declined to discuss particular cases.

Later an I.R.S. spokesman said there had been one prosecution resulting from this type of investigation and "others are expected." It would be illegal, for instance, for a corporation to report a bribe to a foreign official as some other kind of business expense. It is also illegal for a corporation to disguise a political contribution as a business expense.

Since 1950 the nation's tax collectors have had two major shocks:

First, the I.R.S. was accused of widespread corruption in the Presidency of Harry S. Truman, and it was completely reorganized as a result. In the mid-nineteen-sixties hearings held by the late Democratic Senator from Missouri, Edward V. Long, disclosed widespread use of electronic snooping, and many of the practices were later halted.