

I.R.S. Head's Old Firm in Bank Inquiry

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WASHINGTON, Oct. 26—Internal Revenue Service agents have discovered a possible link between the former law firm of Donald C. Alexander, the Commissioner of Internal Revenue, and a Bahamian bank suspected

of being a haven for Americans attempting to evade taxes, sources familiar with the investigation said today.

These sources said that a "reliable informant" obtained a telephone card index from a senior official of the bank and made it available to I.R.S. in-

telligence agents in early 1973. The telephone list included the names of many persons who had secret numbered accounts in the bank and were already under investigation by the service.

The telephone index also contained the name and address of Dinsmore, Shohl, Coates & Deupree, a Cincinnati law firm in which Mr. Alexander was a senior partner before his appointment to the I.R.S. in 1973.

The names in the telephone index were part of material gathered to provide leads in Operation Tradewinds and Project Haven, related I.R.S. inquiries into Americans who attempt to evade income taxes by secret foreign investments.

Mr. Alexander approved a

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suspension of the Tradewinds-Haven investigation last August. I.R.S. intelligence agents have told investigators on two House subcommittees they believe Mr. Alexander may have approved the suspension because he discovered his own law firm might be involved.

Denies He Knew of Tie

A spokesman for the agency acknowledged that the firm's name had been one of 260 names and telephone numbers acquired from the index by the agents. But he said that Mr. Alexander did not know it was among the lead items until after the program was suspended and thus the firm's involvement did not enter into his decision making.

He said that Mr. Alexander said he had never had any dealings with the Bahamian bank on his own behalf or on behalf of any of his clients. He said Mr. Alexander did not know if partners and associates in the firm had done business with the bank.

James O. Coates, a senior partner of Dinsmore, Shohl, Coates & Deupree, said he had "no idea why" the firm's name should be on the list. He added that the I.R.S. had never formally advised the firm it was

investigating the possible connection.

Tradewinds is a decade-old effort by Internal Revenue to trace covert movement of money from the United States to the Bahamas. In January, 1973, an informant aided I.R.S. agents by photographing a list of 300 names of persons who had secret accounts in the Castle Harbor Bank of Nassau.

Nationwide Inquiry

This list became the basis for a nationwide investigation dubbed Project Haven, headquartered in New York. The list, however, contained no addresses. Several weeks after the first acquisition, the sources said, the same informant was able to obtain a telephone index card file from the desk of a senior official at the bank and gave it to the agency. The agents began to match names on the list with persons who had secret accounts.

The Cincinnati law firm does not have an account in the bank, the I.R.S. spokesman said.

However, law firms in several cities are under investigation for aiding their clients in making covert money deposits, I.R.S. officials have confirmed.

At the time the card index was obtained, Mr. Alexander was still in private practice with the firm in Cincinnati. He specialized in creation of trusts and estate planning, according to lawyers familiar with his career.

He said, through a spokesman at the service, that he had had no dealings with the Castle Harbor Bank and had never arranged a trust account or other matter there for a client.

Methods Reviewed

In early 1975 or late 1974 — accounts on this point differ — Mr. Alexander ordered internal review of various intelligence-gathering methods operated by the I.R.S. Newspaper accounts

of Project Leprechaun in Miami, involving the use of undercover agents to investigate the sex lives and drinking habits of Florida politicians, that drew attention to that area. Mr. Alexander said it was as a result of scrutiny of Leprechaun that he learned of the existence of Project Haven.

He has said that he became concerned about Haven because the original list of names and amounts had been taken from the briefcase of a bank official in Miami while he was dining with a female operative and the evidence might be "tainted."

Last July, however, despite questions about how the information was obtained, the I.R.S. was prepared to transmit some 250 separate leads to various field offices for criminal investigation, testimony before the Commerce, Consumer and Monetary Affairs Subcommittee disclosed. However, on Aug. 13, an acting assistant commissioner reversed the decision and

suspended the investigations. Mr. Alexander later approved this action.

I.R.S. agents have told investigators from the Commerce subcommittee and from the Oversight subcommittee of the Ways and Means Committee that they believe that, in the month's interval Mr. Alexander may have learned of his firm's possible involvement.

A spokesman for the service said, however, that Mr. Alexander did not know it until after Aug. 13. Moreover, he said on Friday, the agency has removed the Haven project from suspension and ordered the 250 items sent to the field offices for "investigation on potential tax cases." The I.R.S. has informed the two subcommittees of its action, he said.

The Commerce subcommittee, headed by Representative Benjamin S. Rosenthal, Democrat of Queens, is expected to hold further public hearings on the question.