

Tax chief says he didn't slow 'Haven' probe

By Larry Kramer
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WASHINGTON — The head of the Internal Revenue Service says a group of people is bent on discrediting the IRS and its commissioner.

Donald Alexander, in an interview he requested with the Examiner after its series of articles on Project Haven, identified a congressional committee staffer as "the chief proponent" of the alleged smear campaign.

He said Larry Ross, counsel to the House Ways and Means oversight subcommittee, "makes Roy Cohn look like St. Francis of Assisi."

The remarks were part of a wide-ranging, three-hour Examiner interview with six of the IRS' top officials. Alexander's office arranged the talks after his

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conduct was questioned in the Project Haven series—an investigation into foreign trust accounts.

In those articles several IRS and Justice Department sources raised serious questions about Alexander's role in incidents effecting Project Haven.

Many sources said Alexander was trying to sabotage the investigation because he had connections with people who were alleged to be targets of the inquiry.

Several incidents that had weakened the probe appeared to have foundations in Alexander's office, critics charged.

The interview was a frank, point-by-point response to specific charges. It also provided the first mention of a specific individual alleged to be part of a conspiracy to politically destroy Alexander.

Present at the interview were Commissioner Alexander, deputy commissioner William E. Williams, assistant commissioner for compliance Singleton B. Wolfe, director of intelligence Thomas Clancy, acting assistant director of disclosure operations Horace Fite, and assistant to the commissioner Thomas Glynn.

"In my opinion what we are seeing is an attempt by some of the people on the staff on the Hill to abuse the IRS for political gains," Glynn said.

"I think that is just as reprehensible as the attempts a couple of years ago of others to use the IRS for political reasons."

Says Alexander: "I think they're misleading the congressmen. I think the congressmen are basically trying to do a good job.

"I think that this person (Ross) and his henchmen are detracting from that by misleading or giving insufficient facts to the congressmen who then, in reliance, get fired up and issue statements that should not be issued and would not be issued had they had all the facts."

Alexander also labeled others within the IRS who leak information about him as "faceless liars."

Reached in Washington, Ross, a former Justice Department attorney declined to comment on Alexander's charges.

Following is a detailed presentation of various charges against Alexander and the IRS, and their response:

• "Project Haven," a long and controversial probe into the use of offshore tax havens by wealthy Americans, was abruptly suspended for ten weeks a year ago. The suspension was ordered by Edwin Trainor—an acting assistant commissioner. Critics charge that the official he replaced for three weeks had approved continuation of the project just prior to leaving, and that the circumstances surrounding the suspension are "questionable".

WOLFE: I was the official who was on vacation, and my earlier decision was on a different thing. My decision was that there were certain examinations going on and that those examinations should continue. At that point I didn't have enough information to say that we should stop those examinations.

WILLIAMS: Trainor's decision was not to stop those investigations. His decision was just to cancel a meeting in New York for the dissemination of information. The investigations were going to continue.

(Trainor later said he called off that meeting because he was worried that some of the evidence acquired by the IRS may have been tainted. It was a list of account holders of a Bahamian bank taken from a banker's briefcase in Miami while he was out

on a date with an IRS informant.)

CLANCY: (After learning how the evidence was acquired) we had to ask what our involvement was in all of this. Who did it and why? ... Dave Gaston, director of the Criminal Tax Division, wrote a memo to the chief counsel, around the time Trainor took over, that said:

"The search (of the briefcase) was conducted with prior approval of government agents. There is no doubt this constituted an illegal search under the Fourth Amendment."

"Pursuant to the law, the agent and the confidential informant could be liable for the search of the banker's briefcase."

"If the purpose of the arrangement was for prostitution, there is a strong likelihood that Florida state law was violated and of course the informant could be held liable."

"Also, the agent and the confidential informant could be liable under Florida state law for larceny."

"Further, the special agent may be guilty of violating another section of Florida state law relating to fencing stolen property."

"Based on that memo, I was concerned. We had a meeting on the subject. Trainor was there (along with several other IRS officials). We discussed the briefcase incident and the decision was made to postpone—not cancel—the dissemination of additional material scheduled to be distributed."

We did not cancel any on-going investigations.

(Reminded that the briefcase incident occurred two years earlier, without any action being taken, Clancy said:

"If I had been Director of Intelligence at that time, there would have been an investigation.")

• *The 1040 tax form used to have a question asking whether you had a foreign bank account. Last year, despite protests from Intelligence Division officials, the IRS, with Alexander's urging, removed the question. One official described the question as "invaluable" to investigation of offshore trusts.*

ALEXANDER: The question undoubtedly has some value; the problem is how much, in comparison to competing needs and competing requirements.

Certain things are mandated by law. You have to put them on the form. Like the credit for the purchase of principal residence has to go on the form. We don't have a choice. I didn't say the question wasn't of some value. I did say that the question is how do you squeeze everything on the form without decreasing the size of the print, which we cannot do. We have enough complaints already about the small print.

As far as a decision to put the question back, or to put a better question, because this question isn't worded very well ... it could happen particularly if we get some legislation the IRS has been pushing for years to try to tax the income of those foreign trusts. Then we would actually have some teeth in the law. The decision to drop the question was

unanimously recommended by the heads of all functions.

The question can be restored if Congress will help us and not make us put things on the tax form next year like the "heat pump credit" or the "garden tool credit," then we'll have some space to reconsider some questions.

• *Chicago tax attorney Burton Kanter, under indictment in connection with Project Haven, filed a freedom-of-information request with the IRS earlier this year. He asked for certain documents relating to the government's case against him. Although Justice Department and IRS officials now say the documents should never have left the hands of the government, Kanter got the papers. Critics have charged that Alexander, or other IRS higher-ups, authorized the request in an effort to hurt the investigation and case against Kanter.*

ALEXANDER: It's hard for me to believe that someone would be so incredibly reckless to make a statement like that (accusing him of granting the request) without checking. That's absolutely untrue, and the

PERSON MAKING THAT STATEMENT KNOWS IT TO BE UNTRUE.

FITE: When Kanter's FOI request arrived, it was assigned to one of our technicians in the FOI branch. He had heard that we already had copies of those documents in the office—they had been requested by a congressional subcommittee.

I don't know how that employee knew we had the documents in the FBI office already, because he hadn't done any work on them. Nevertheless he went to the file and saw that they had been excerpted to remove classified information that the subcommittee couldn't see.

They agreed that since the papers had been

provided to the committee in an excerpted form, they could also be given to Kanter. Even though the subcommittee didn't have disclosure authority, they felt that giving them to the subcommittee was the same as making them public.

Since they had already been excerpted, and the intelligence division had already ap-

proved their dissemination to the committee, he felt it was OK to give them to Kanter. But since he knew Kanter was involved in Project Haven, he discussed whether or not to send him the documents with two other experienced employees.

The employees are career IRS employees, and as any person can do, they made a mistake.