

## Supreme Court

# Key Change in Tax Probe Law

Washington

The Supreme Court ruled yesterday that government tax investigators need not know the identity of the individuals involved when they demand that banks produce the records of deposits that have aroused their suspicions.

By a 7-to-2 vote, the court said the Internal Revenue Service may issue a summons for such records without knowing who made the deposit and without having "focused upon . . . a particular potential tax liability."

Justices Potter Stewart and William O. Douglas dissented, called the decision a "breathtaking expansion of the summons power." They said the decision authorizes "shot-in-the-dark" prying by the IRS.

The tax case arose in Kentucky, where the Commercial Bank of Middlesboro received a deposit of \$40,000 in old \$100 bills.

The worn bills made their way to the Federal Reserve Bank of Cleveland, which reported them to the IRS.

The IRS issued a summons to obtain records that would identify the depositor, but the bank declined to comply.

The U.S. appeals court in Cincinnati ruled that the IRS lacks authority to issue a summons before it has identified the person whose transaction it wishes to investigate.

The Supreme Court reversed this decision.

"Although such investigations necessarily involve some invasion of privacy, they are essential to our self-reporting system, and the alternatives could well involve far less agreeable invasions of house, business and records," Chief Justice Warren E. Burger said for the court.

Stewart and Douglas said the court's decision appears to authorize the IRS to "force disclosure of whole categories of transactions and closely monitor the operations of myriad segments of the economy on the theory that the information thereby accumulated might facilitate the assessment and collection of some kind of a federal tax from somebody."

They called the decision "a sharp and dangerous detour" from limitations on IRS investigatory powers that have been laid down by lower federal courts.

*Associated Press*