Merry-Go-Round

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IRS 'Conflict'

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INTERNAL REVENUE Commissioner Donald Alexander violated his own orders last year by hampering a tax investigation that involved his former law firm.

The commissioner, who was put in command of the tax agency by ex-President Nixon, reacted to the Watergate scandal by forbidding his agents from making any decisions that might give even the appearance of a conflict.

Yet he hindered a major investigation of tax havens in the Bahamas, despite the fact that the name of his former law firm turned up in the probe. Through a spokesman, Alexander denied that he was aware of the firm's involvement. But we have uncovered facts that raise serious questions about the handling of the investigation.

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INTELLIGENCE agents in Florida obtained the names of depositors with secret bank accounts at the Castle Bank in the Bahamas. This phase of Tradewinds became known as Project Haven.

The hush-hush information included a stolen Rolodex, which contained 250 cards. Two of the cards bore the names of two of Alexander's previous law partners. A third card contained the name of their Cincinnati law firm.

IRS intelligence officials, recognizing the potential for a conflict, alerted John Hanlon who was then the assistant commissioner in charge of compliance. They recommended that, for the sake of propriety, Alexander be kept out of the tax haven investigation.

Hanlon told Alexander's right bower, Burke Willsey, about the possible conflict. Willsey told us he informed Alexander that his former law partners were under investigation, but omitted the specifics of the investigation.

Alexander subsequently requested a public hearing before the House ways and means oversight subcommittee. Our sources say Alexander planned to cite the tax haven investigation, particularly the stealing of the Rolodex, as an example of intelligence abuse.

The Justice Department, however, advised the subcommittee that the publicity would hurt the investigation. The subcommittee canceled the hearing.

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YET ALEXANDER, who received the same advice, ignored it. On Sept. 29, 1975, he held a press conference and divulged the confidential information.

Alexander's subordinates, meanwhile, held a secret meeting to discuss the stolen materials. They decided that the information was "tainted" and recommended that Alexander prohibit the use of this information. He gave his approval within 24 hours — a decision, of course, that had the effect of obstructing the investigation involving his former law firm.