

HEARINGS EXHIBITS¹

EXHIBIT 1

SPECIAL SERVICE STAFF: ITS ORIGIN, MISSION AND POTENTIAL

PREPARED BY ACTS' CLASS FOR BIENNIAL MEETING OF REGIONAL COMMISSIONERS AT CHARLOTTESVILLE, VIRGINIA NOVEMBER 1 AND 2, 1972

(CONFIDENTIAL)

I. Introduction

Recognizing the right to legally and peacefully protest, assemble, and petition the government is inherent in the freedom of each citizen. Any abuse of these rights reflects a chipping away at fundamental principles regarding rights, freedoms, and redress of grievances. There are those who readily condemn our present tax system and would tear it down if they could. Unreasonable demands are being presented to all levels of government as well as to private business.

Unlike the violence and riots of the sixties, the early seventies have focused on a more threatening combination of protests and problems which are sure to carry us well into the seventies—likely escalating in intensity and frequency. Well organized protest groups have turned their attention away from the winding down Vietnam War issues.

Today they are concerned with future strategies directed at the economic structure of this country with particular emphasis towards the Internal Revenue Service, i.e., methods of funneling taxes into alternative funds (telephone and income tax nonpayers feel it desirable to have a "civilian fund", a "peace fund" or "alternative fund" into which people could place their hold-back tax monies; how to react to IRS procedures (break down the federal tax collection machinery and earnestly solicit others to join in the effort); and, endorsing legislation which would legalize "conscientious tax objector status."

It takes considerable naivete not to recognize that we are confronted with highly organized and well financed groups bent on destroying our form of government and they are moving very carefully, step by step, following well laid plans.

Probably, their number one goal at this point is to erode, and eventually destroy, our entire tax system.

II. Background on formation and mission of Special Service Staff

Information developed during the hearings of the Senate Committee on Government Operations during August 1969 established that various controversial organizations presented problems to the Internal Revenue Service. These organizations categorized as extremists on the right or left were not in compliance with Internal Revenue laws. Information was also developed that individuals in the forefront of these organizations filed tax returns reflecting nominal income, or did not file at all, although they were obviously expending substantial amounts of funds.

These hearings clearly indicated a need for the Internal Revenue Service to actively enter into a compliance program directed toward these extremist groups and their principals, who, by their stated attitudes and actions, could be expected to ignore or willfully violate Federal tax statutes.

Functioning under the Assistant Commissioner (Compliance), a special compliance group was established in August 1969 to receive and analyze all available information on organizations and individuals promoting extremist views and philosophies. The identification of organizations and individuals included in the program was without regard to the philosophy or political posture involved; rather, it was directed to the notoriety of the individual or organization and the probability that publicity might result from their activities and the likelihood that this notoriety would lead to inquiries regarding their tax status. Another important consideration was the degree of probability that the individuals might deliberately avoid their tax responsibilities.

Liaison was established with Federal investigative and law enforcement agencies (such as FBI, Secret Service, Army, Navy, Military Intelligence, and Department of Justice) and with Senate and House Investigating Committees. By use of pseudonyms and "drop" boxes, radical, subversive, and extremist publications were subscribed to and organizations joined as a source of swarming information on matters involving taxable income of individuals, activities of organizations having or seeking tax exempt status, and identity of individuals or exempt organizations providing financial support to activist groups.

As another major part of its activity, files are reviewed and information furnished on organizations and their principals where exempt organization actions are pending. Liaison with Technical helps to ensure that no erroneous technical advice or rulings are issued due to lack of information.

Liaison was also established to receive and/or disseminate information with Piramius, Intelligence, Internal Security, Service Centers, Office of International Operations, National Computer Center, Public Information, and the Audit and Collection functions.

¹ Under criteria determined by the Committee in consultation with the Internal Revenue Service and the Federal Bureau of Investigation, certain materials have been deleted from these exhibits, some of which were previously classified to maintain the integrity of the internal operating procedures of the agencies involved, and to protect intelligence sources and methods. Further deletions were made with respect to protecting the privacy of certain individuals and groups. These deletions do not change the material content of these exhibits.

Starting with 77 files, identified by the Congressional Committee, within less than one year after this Compliance Group was established, information had been manually compiled and consolidated into 1925 organizational and 4300 individual files. Currently, the Group (now known as: Special Service Staff, ACTS (C:SS)) has 11,000 files (8,000 individuals and 3,000 organizations). In the composition of these files are 12,000 classified documents. In addition to established files the Staff has availability to a computerized printout furnished by another agency. This listing of names of individuals and groups who pose a threat to the security of this country currently identifies another 16,000 entities where tax violations would appear probable.

Until the Special Service Staff was formalized February 11, 1972, its activity was considered semi-secret and apparently our people in the field were not knowledgeable of its mission and objectives. Investigative personnel particularly should be more familiar with this Staff's activity and mission as outlined in HRM 1113654. Also, there is a need to increase field awareness of the importance of the investigative information furnished by the Staff to district offices.

Plans are in the mill to implement certain recommendations of a recent computerization feasibility study. Some degree of mechanization appears necessary to cope with the accumulation and quantity of data received by the Staff from sources within and outside the Service.

The Staff acting as a central intelligence gathering facility consolidates data available within IRS and any obtainable from other investigative or law enforcement agencies. Accumulated data in the files suggests there are two major categories of organizations and individuals identified as likely to be violating Federal statutes including the tax filing and paying requirements of the IRC.

These organizations and individuals can be generally categorized as: (1) Violent Groups, those who advocate and practice arson, fire-bombing and destruction of property; use coercive threats for funds through U.S. Postal Service; make threats against public officials; plan and organize prison riots; engage in activities involving illegal accumulation of firearms and ammunition; have been identified as planning and carrying out skyjacking; and, those who print and distribute publications advocating revolution against the government of this country. In category (2) there is ample evidence of activities involving so-called Non-Violent Groups, who by alleged peaceful demonstrations offend and deliberately incite violence and destruction. Included are those who publicly destroy and burn draft cards, destroy Selective Service office records, participate in an organize May Day demonstrations, organize and attend rock festivals which attract youth and narcotics, and in building sale of firearms to Irish Republican Army, Arab terrorists, etc., travel to Cuba, Algeria and North Vietnam in defiance of existing statutes (trading in seditious acts), inciting commotion and resistance to authority by encouraging defectors in the Armed Forces to enter into alliances to subvert this nation, and there is evidence from classified documents that transfers of large amounts of money to and from the USA are being used to establish and organize groups with the view of overthrow of this government.

III. Current procedures employed by the Special Service Group

Currently, as information is received, it is reviewed for indications of non-compliance, such as erroneous exemptions, contributions to unqualified organizations, the channeling of funds by exempt organizations to non-exempt organizations, or items of unreported income; operations outside of its charter by tax exempt organizations; and the failure to file and/or pay income, gift, and employment taxes. Publications and documents are reviewed for information of tax strike or resistance movements.

When any of the above indications are present, file searches, where possible, are initiated to see if returns are filed and taxes paid. In appropriate cases, Social Security checks are made for possible unreported sources of wages and earnings.

If the review and evaluation so warrants, pertinent financial and tax data is transmitted to the District Audit, Intelligence, or Collection Division. Since much of the information is classified, it cannot be reproduced or transmitted in the form received, and, of necessity, must be excerpted and captioned. These referrals may relate to specific individuals, organizations, or groups of individuals.

Should other agencies desire information relative to tax returns or investigations, they must request it through official channels observing the disclosure procedures.

In addition, information and trends on tax strike and resistance movements is sent to districts affected. Under present procedures, the receiving districts determine to what extent the information is used.

The Staff also informs the National Office Protective Programs Branch of Facilities Management and the National Office Coordinator in the Intelligence Division when there are indications of protests or demonstrations which would be a threat to Internal Revenue premises.

Examples of several types of Special Service Staff referrals have been condensed and included as exhibits in a package of attachments. These show the revenue possibilities that exist in both the audit and collection fields, including income, gift and employment taxes. (Exhibit 12).

The packet also contains samples of materials published and circulated by members of the tax strike and resistance movements. To show the degree of sophistication these movements have reached, the first exhibit in this package is a reproduced FBI report on a national convention of activists recently held in August at Kansas City with Internal Revenue Service as their focal point of attention.

IV. Potential usage and availability of Special Service Staff

The files of the Special Service Staff contain vast amounts of information pertaining to types of individuals and organizations described. This material is received on a day-by-day basis and it has been impossible for the Staff to keep pace with this growth. As a result, although files have been established, there is a great deal of material which has not been evaluated, and consequently has not been referred to field offices.

This material is available to revenue agents, special agents, and revenue officers working on individuals or organizations involved on these left or right wing movements. One of the problems has been that examining personnel are not aware of the Staff, its mission or operation. As stated before, the time has now come when field personnel should be fully informed of the existence of the Staff and the type of information available.

Should an agent or revenue officer be assigned a case falling into one of the categories discussed, he should feel free to direct an inquiry to the Special Service Staff to see if there is any information on file or that could be obtained that would aid in their investigation. The file could contain financial information to assist in an audit or it could possibly be a current address to assist in closing a TDA or TDI. Inquiries can either be by mail or telephone and directed to the address or telephone number shown on the transmittal letter (See Exhibit #4 in attachment).

Many of the files are extremely voluminous containing detailed financial information. In such instances it may be preferable to have field personnel come in and extract pertinent data from the case file. However, due to the classified nature of the files, it would be necessary to obtain a secret security clearance for each employee desiring to make such an inspection. Since some of the files are Top Secret and the degree of clearances should be kept at a minimum, Staff members with Top Secret clearance can extract and capsuleize any pertinent data of this nature if needed.

While the Special Service Staff is essentially an information gathering and dissemination operation, it should not be considered a one-way street. Field personnel should be advised to be alert for information and data concerning these organizations and individuals indicating they willfully ignore or violate tax statutes. This added resource would open an effective two-way communication channel which can do much to improve any Internal Revenue Service actions required. This is especially important where such information would cross district or regional lines permitting coordination with other offices.

Further, field personnel should also be alert to criminal violations other than those involving the tax statutes. This could include any indication of acts of violence, falsification of official documents, threats against Government officials or officers, etc. Such information should also be channeled to the Staff so they can coordinate with the appropriate agency.

V. Conclusion and discussion

It has now been discussed in some detail how this Special Service Staff activity functions, what its purpose is, and how effectively the leads and cases it generates are utilized by the Service. The magnitude and potential of this facility is impressive. A recent internal audit of the Special Service Staff fully supports the conclusion that this function offers high potential as a deterrent in coping with widespread tax violations sponsored by activist groups.

Certainly Internal Revenue Service officers and agents can only do so much on their own in trying to collect from, investigate or examine these organizations and individuals, who through insidious methods have collaborated to form a revolutionary force, which if allowed to develop gradually will become well established before becoming apparent.

Perhaps the only way to combat a tax rebellion growth or movement in our society is for the Internal Revenue Service, which now has this Special Service Staff access to reliable intelligence information, to expose the hard core leaders

and fringe element in our nation who advocate tearing down our present system.

This presentation should give you some additional insight into the formation and potential for a central intelligence gathering facility of this nature. Hopefully, it has also encouraged you to think about "what is to be done?"

Among the alternatives to be considered and discussed:

Using the Special Service Staff as a nucleus, would it be practical to develop a multi-agency approach using strike force concepts with special emphasis on criminal code prosecutions under Title 18 in correlation with Title 26.

EXHIBIT 2

to: Director, Federal Bureau of Investigation
 Department of Justice

from: Assistant Commissioner (Compliance) CF:PHM
 Internal Revenue Service

REC 1 1962

Subject: Request to be Placed on Dissemination List

Attention: Special Agent Patrick D. Putnam

For your information I have formed a committee of some of our Compliance people to gather data and recommend actions to be taken within the Internal Revenue Service relating to various organizations of predominantly dissident or extremist nature and/or people prominently identified with these organizations.

The group I have formed is named the Activists Organizations Committee and is now functioning with Mr. Paul H. Wright as chairman.

I will appreciate this committee being placed on your Dissemination List for information which relates to the types of organizations mentioned above and people associated with them. At this time we request file data on the organizations listed on the attachment to this memorandum.

It is apparent that additional requests for information on organizations and individuals will be made as this committee proceeds with its assignment.

I will appreciate your approval of this initial request and ask that any data transmitted be delivered to the attention of Mr. Wright, Room 3503, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, D. C.

D. H. Bean
 Assistant Commissioner
 (Compliance)

Attachment
 List of Organizations

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. W. C. Sullivan

DATE: 8/15/69

FROM : D. J. Brennan, Jr.

SUBJECT: INTERNAL REVENUE SERVICE (IRS)
INVESTIGATIONS OF NEW LEFT AND EXTREMIST
ORGANIZATIONS AND INDIVIDUALS

Information has been received from Mr. Paul H. Wright of IRS that IRS, as a result of White House and Congressional pressure is embarking on a program looking toward tax and gun law violation on the part of New Left, black extremist, and white extremist organizations and individuals connected therewith. Attached letter from I.R.C. Assistant Commissioner Donald Bacon requests that IRS be placed on FBI dissemination for a number of these organizations under investigation by us.

Wright advised that as a result of considerable pressure from Congress and the White House, IRS has formed a Committee at IRS headquarters known as the Activists Organizations Committee, whose function is to collect all pertinent information relating to various New Left and extremist organizations, as well as individuals prominently connected therewith, and thereafter initiate field investigations and audits of these groups and individuals looking toward uncovering tax violations and violations of the Gun Control Act of 1968. In attached letter Bacon requests that IRS be placed on dissemination for our investigative reports involving 72 organizations. He requests that such dissemination be made to IRS headquarters, Room 3805, Attention Mr. Paul H. Wright.

A review of the list of organizations enclosed with Bacon's letter indicates the organizations are primarily of a New Left, black extremist or white extremist nature. Many of the organizations listed have not been investigated by us:

ORGANIZATIONS:

A concentrated program of this nature, if properly implemented, should deal a blow to dissident elements. This action is long overdue. We have already disseminated to IRS reports on many of the organizations listed. It is felt that we should accede to the IRS request.

1 - Mr. G.D. Betcher
1 - Mr. W.C. Sullivan
1 - Mr. A. Lewis
1 - Mr. D.J. Brennan

1 - Mr. G.C. Moore
1 - Liaison
1 - Mr. P.D. Putnam

CONFIDENTIAL - OVER

Memorandum D. J. Brennan, Jr., to
Mr. W. C. Sullivan
RE: INTERNAL REVENUE SERVICE (IRS)
INVESTIGATIONS OF NEW LEFT AND EXTREMIST
ORGANIZATIONS AND INDIVIDUALS

ACTION:

1. If approved it will be explained to Assistant Commissioner Bacon by Liaison that several of the organizations he has listed are not under investigation by us but that we will accede to his request in connection with those listed organizations that we have currently under investigation.

OK
H

2. Attached for approval is a letter to all Special Agents in Charge alerting them to the IRS program.

[Handwritten signatures and initials: R. J. Brennan, W. C. Sullivan, J. J. [unclear], R. J. [unclear], A. B. [unclear], R. J. [unclear], J. J. [unclear], J. J. [unclear], J. J. [unclear]]

EXHIBIT 3

(EXCERPT FROM COMMUNICATION, SPECIAL AGENT IN CHARGE ATLANTA TO DIRECTOR, FBI, DATED APRIL 14, 1964)

AT 100-6520-D
AFM:olt

[Tax returns of _____ and information from IRS] _____
investigative files were recently received and analyzed.

[Paraphrase

It is believed that donors and creditors of _____ present two important areas for counter-intelligence activities. In regard to the donors it is suggested that official stationery bearing _____ signature, copies of which are available to the Atlanta Office and will be furnished by separate communication to the Bureau Laboratory for reproduction purposes, be utilized in advising the donors that Internal Revenue Service is currently checking tax records of _____ and that

through this phony correspondence wants to advise the donor insuring that he reported his gifts in accordance with Internal Revenue requirements so that he will not become involved in a tax investigation. It is believed such a letter of this type from _____ may cause considerable concern and eliminate future contributions. From available information it is apparent that many of these contributors to _____ are doing so in order to claim tax deductions and in order to be eligible for such deductions, the contribution is being made to the [excised] _____ Church, which in turn is forwarded to

EXHIBIT 4

2 February 1967

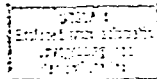
MEMORANDUM FOR:

SUBJECT: IRS Briefing on RAMPARTS

1. On 1 February 1967 I met with Thomas Terry, Assistant to the Commissioner, IRS to brief him on the current status of the RAMPARTS matter and to seek his cooperation. Also present were Leon Green, Executive Assistant to the Assistant Commissioner for Compliance, and John Barber, Chief of Rulings, Exempt Organizations Branch. All three officials have been closely involved with us in the recent developments about USNSA and ^{in particular,} ^{an} ^{organization}.

2. I told them of the information and rumors we have heard about RAMPARTS' proposed exposes with particular reference to USNSA and Org. I impressed upon them the Director's concern and expressed our certainty that this is an attack on CIA in particular, and the administration in general, which is merely using USNSA and [as tools. To emphasize the nature of the problem I read to them excerpts from Mr. NACG memorandum of 25 January 1967 relating statements and actions of RAMPARTS officials in the period 22-25 January. We also discussed other probable sources of information being used by RAMPARTS, including the many leads which probably originated from the "Palman Eight" exposures. The possibility of Harry Olsner of Palman's staff having cooperated with RAMPARTS was mentioned.

3. Barber advised that the IRS examiner handling the USNSA reapplication for tax-exempt status has just completed his findings. He has recommended that USNSA be granted tax exemption under IRC Section 501(c)(4) which is the classification for "social welfare" organizations. In the examiner's view USNSA is disqualified for 501(c)(3) status as a political action organization. If it is exempt under 501(c)(4), donations to it will not be deductible by the donor and



SEP 20 1975

CIA

Declassified by authority

1 October 1975.

It will be more difficult for it to get donations from organizations which are exempt under Section 501(c)(3). It was also pointed out that USNSA had become so notorious and the subject of so many public complaints to IRS that it had been put under audit and might have had its 501(c)(3) exemption revoked even if it had not been required to file a new application for exemption by virtue of its reorganization.

4. I suggested that the corporate tax returns of RAMPARTS, Inc. be examined and that any leads to possible financial supporters be followed up by an examination of their individual tax returns. It is unlikely that such an examination will develop much worth-while information as to the magazine's source of financial support, but it is possible that some leads will be evident. The returns can be called in for review by the Assistant Commissioner for Compliance without causing any particular notice in the respective IRS districts. The proposed examination would be made by Mr. Green who would advise me if there appeared to be any information on the returns worth following up. The political sensitivity of the case is such that if we are to go further than this, it will be necessary for the Agency to make a formal request for the returns under a procedure set forth in Government regulations. If such a request is made, the Commissioner will not be in a position to deny our interest if questioned later by a member of Congress or other competent authority.

5. This matter contains the elements for political repercussions against the Internal Revenue Service as well as this Agency and Mr. Terry feels that we can make no move until he has briefed the Commissioner. The Commissioner had already expressed concern over public comment about USNSA's tax exemption, even though he knew nothing at the time of the Agency's involvement with USNSA. Mr. Terry will brief the Commissioner as soon as possible and contact me when he has done so.

cc:

RE: FROM

SEP 20 1975

CIA

EXHIBIT 5



I.G.B. U. *W* *R*

~~CONFIDENTIAL~~

6 December 1972

to: District Director
St. Louis District
Internal Revenue Service
from: Chief, Intelligence Division
San Francisco District.

~~CONFIDENTIAL~~
subject: Tax Protest Movement

Attached herewith, for your information, is a copy of a list of various members involved in the tax protest movement. These individuals have been identified through investigations conducted in the San Francisco District relating to various tax protest groups. It is believed that some members of these groups are capable of violence against IRS personnel.

This information is furnished for your information and disposition.

Name deleted
Chief, Intelligence Division

RECEIVED

DEC 11 1972

INTELLIGENCE DIVISION
IRS - ST. LOUIS, MO

CONFIDENTIAL - INFORMATION CONTAINED HEREIN IS UNCLASSIFIED

TAX PROTEST (CONTINUED)

<u>NAME</u>	<u>CITY & STATE</u>
<u>M</u> (Cont'd)	
Montoya, Joseph (Sen)	New Mexico
	Tavernier, Florida
	Red Bluff, CA
	Mobile, Alabama
	Palermo, CA
	San Diego, CA 92116
	Bridgeford, Connecticut
	Pasadena, CA
Names deleted	Tacoma, Washington
	Red Bluff, CA
	Fresno, CA
	Valley Springs, CA 95252
	Merced, CA
	Cincinnati, Ohio 45205
	Pinedale, CA
	Berkeley, CA
	Fowler, CA

List of Organizations

- The Student Non-violent Coordinating Committee
- The Student Voice, Inc.
- The Sojourner Motor Fleet, Inc.
- The Southern Education and Research Institute, Inc.
- The Congress of Racial Equality
- The Students for a Democratic Society
- The Black Panther Party
- The Revolutionary Action Movement
- The Deacons for Defense and Justice
- The Nation of Islam.
- The Afro-American Research Institute, Inc.
- The Southern Conference Education Fund
- The Progressive Labor Party
- Rosen Publishing Company
- Tri-Line Offset Company, Inc.
- The Medical Committee for Human Rights
- The Fund for Education and Legal Defense
- The Minutemen
- The American Nazi Party
- The United Klans of America, Inc.
- The White Knights of the KKK
- The National States Rights Party
- Afro-American Set
- Allied War Prisoners Rescue Mission

Americans for Democratic Action
Americans for Freedom
Black Brotherhood
Black Turks
Black United Strategists
Black United Youths
Breakthrough
Christian Beacon, Inc.
Christian Echoes Ministry, Inc.
Church League of America
Citywide Citizens Action Committee
Civilian Resistance Command
Commandos L
Communist Party Youth Club
Congress of Freedom
Conservative Vice-Lords, Inc.
Dayton Alliance For Racial Equality
Fair Play For Cuba Committee
Free Corps
Free Speech Movement
Fund for The Republic, Inc.
Group For Advanced Leadership
Institute for American Democracy, Inc.
Institute for the Study of Black Unity
International Workers Order

Interreligious Foundation for Community Organization, Inc.
 Life Line Foundations, Inc.
 Malcolm X Society
 Medgar Evers Rifle Club
 Militant Labor Forum
 Monroe Defense Committee
 Muslim Mosque, Inc.
 ✓ National Student Association
 (Formerly U. S. National Student Association)
 Operation Breakthrough
 Organization of Afro-American Unity, Inc.
 Patriotic Party
 The Peace Foundation
 Protestants and Other Americans United for Separation of Church and State
 ✓ Louis M. Rabinowitz Foundation
 Republic of New Africa
 Senegalese
 Socialist Workers Party
 Soldiers of The Cross
 ✓ Southern Student Organizing Committee
 Unitarian Society
 United Black Community Organization
 ✓ W. E. B. DuBois Clubs
 Workers World Party
 Young Socialist Alliance

EXHIBIT 6

~~INTERNAL SECURITY~~
July 9, 1974

to: Special Agents
ICGR Group, Jacksonville District

from: Group Manager
ICGR Group
Miami, Florida

subject: Payment to Confidential Sources (Informants)

The Internal Revenue Manual, Sections 372, 9372 and Policy Statement P-9-55 (copies of which are attached) provides guidance for payment to sources for confidential information. These instructions supplement the manual and are provided for your everyday guidance.

Payment for information will be made only when the information is not available otherwise. Each of you have non-paid sources. In those situations calling for payment for expenses or information, our approach will be conservative as to amounts paid but progressive as to seeking and getting the needed information.

Type of Funds

Imprest fund payments to confidential sources must be paid from the proper fund. If the information obtained relates to NTP, then the funds must be paid from NTP funds. The same applies to the TPG or Strike Force. When requesting funds, please specify the intended program.

Location of Funds

Confidential funds for the ICGR operation will be maintained in Miami in the custody of the ICGR Group Manager. Each ICGR agent at POD's outside of Miami will be advanced a small fund. An interim receipt will be signed for the advance. Expenditures from the advance will not be made without the approval of the Group Manager.

Internal Revenue Service

Types of Payment Authorized

Payment may be authorized for expenditures from the confidential funds for:

- (1) Expenses for or in behalf of source.
- (2) Information.
- (3) Securing evidence.

Type of expenses includible (among others) may be hotel room or other space rental, auto rental, travel, food and beverage, or utilities and phone.

Payment will not be authorized for "front" money or a promise by the source that he will deliver in the future. In some circumstances authorization will be granted to advance expense money.

Type of Information Sought

Information which we seek and for which we will make payment is contained in Policy Statement P-9-36. We must guard against using the confidential fund in any other way. Payment for information is made only when the information is unavailable otherwise. For example, payment will not be made for an arrest report when such a report is public record. Neither will we pay a source to search public records for us or to do other type investigative work.

Authorization for Making Payment

Each expenditure from the confidential fund will be approved by the Group Manager before payment is made to the source (informant) or before any expenses are incurred by the source. After the source has been debriefed, the special agent will write a memorandum to file of information obtained and/or expenses incurred. This memorandum will be forwarded to the Group Manager for review. The special agent will attach to the memorandum a note recommending amount of payment and will also recommend distribution of the memorandum. After review, the Group Manager will authorize payment to the source by the agent and set the amount of payment. The Group Manager will notify the agent of the amount approved. After approval, the agent can use funds on hand for payment.

At time of payment, the agent will obtain a receipt (Standard Form 1165) from the source. The receipt will be forwarded, along with a signed "Confidential Expenditure from Imprest Fund" form DIR J INT-52, to the Group Manager.

General

Under no circumstances will "regular" payments be made to a source. That is, we have no one on the payroll. We only pay for information received, as evaluated and recommended by the special agent and approved by the Group Manager.

Each of us must exercise care in submitting any vouchers or claims for reimbursement when the special agent is involved in dining with the source. In such a situation, payment will only be made for expenses incurred by the agent over and above what he would normally have spent for a meal. All of us have been given a big responsibility in handling imprest funds. We must use these funds carefully and frugally.

In the event of any emergency situation, please call the Group Manager for information and authority for payment.

NAME DELETED

Attachments

cc: Chief, Intelligence Div.
Jacksonville District

INSTRUCTIONS TO GROUP

of the
Instructions from JKW

1. Reduce fund to \$500.00 ^{Ha Ha Ha} for F. L.
2. Restrict pay out to \$250.00 ^{Ha Ha Ha} without prior approval.
3. Do not pay any money to group managers Ryan or McCall or again.
4. Vary payments, more.
5. Turn 971143 over to ^{Ha} Hilber.
 ✓ 971155. ✓ ^{Ha} Grant.
6. ^{Ha Ha Ha} After each payout send by mail with another ^{Ha} or JKW + hand deliver receipt, voucher and report ^{Ha} + pick up reimbursed check.
7. ^{Ha Ha Ha} Said he would give me instructions in writing to minimize misunderstanding.

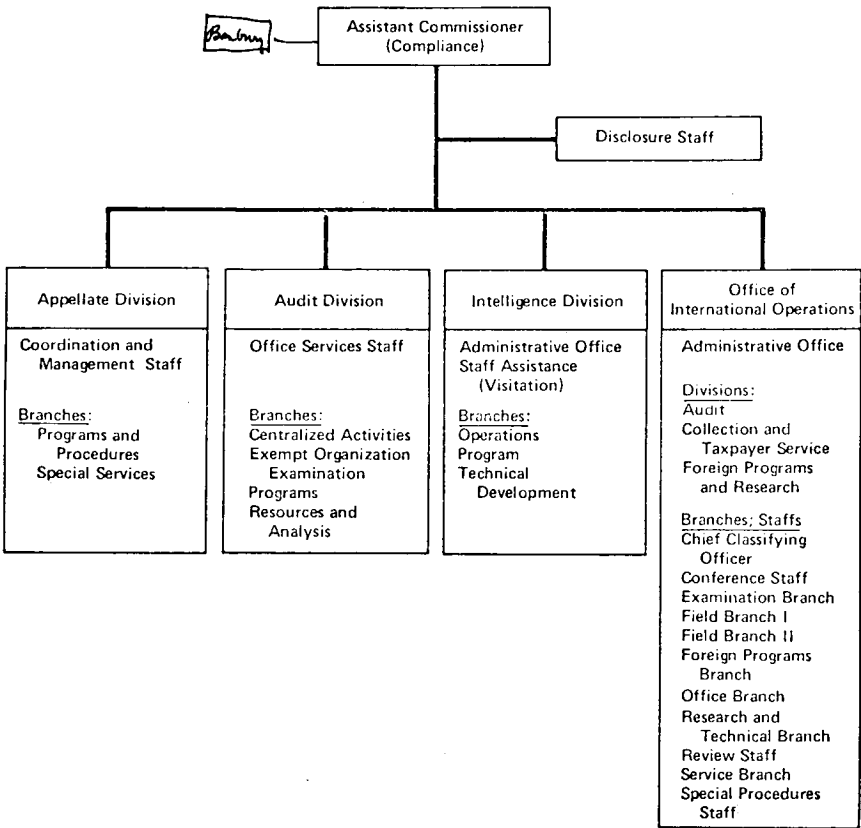
John V. Harrison

EXHIBIT 7

Organization and Functions of the
Internal Revenue Service

Exhibit 1113-4

Organization of the Office of Assistant Commissioner (Compliance)



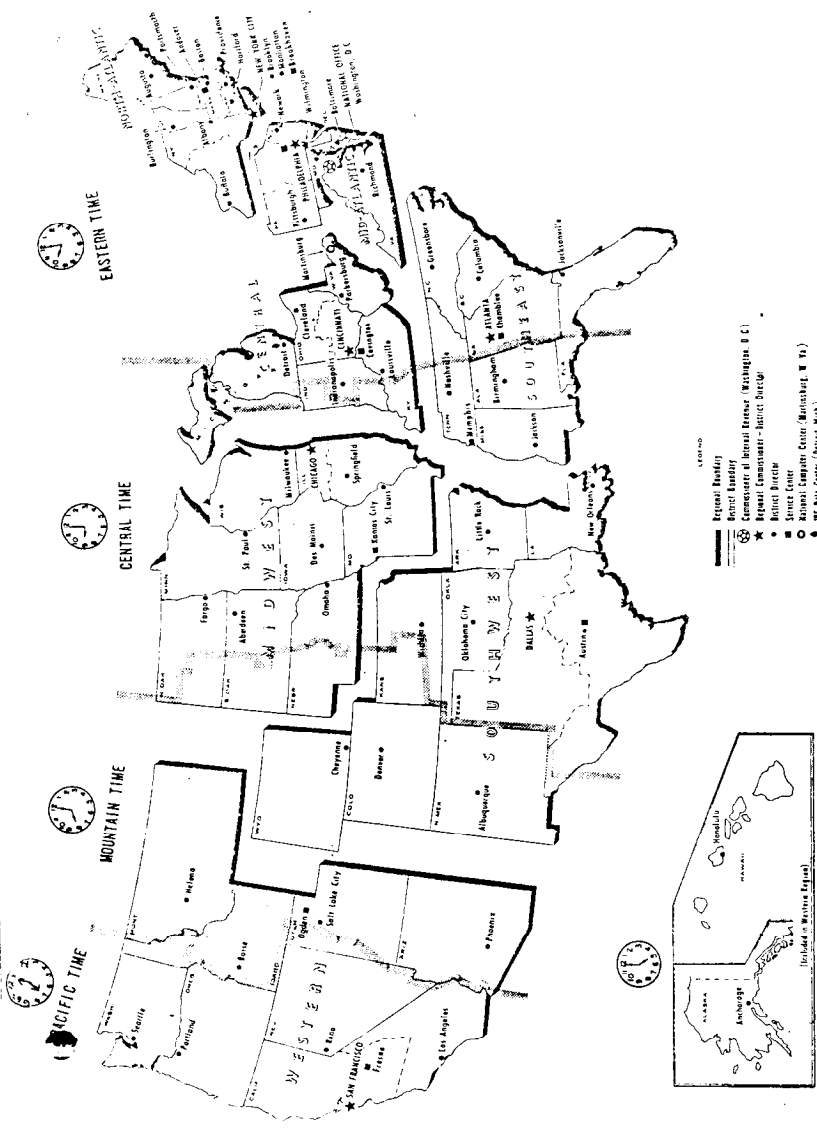


EXHIBIT 8

Internal Revenue Service

Form 1041-10 (Rev. 1-7-74) (Do not write on this form)

Date 6 JUN 1974 In reply refer to

1:1A



Honorable Donald C. Alexander
Commissioner of Internal Revenue
Washington, D. C.

Dear Commissioner Alexander:

This transmits a copy of our report of results of the special on-line audit of narcotics termination assessments.

The Service has made approximately 3,500 narcotics termination assessments totaling \$104 million since August 1971. These assessments have generally been made under tight time constraints based on information furnished by local law enforcement agencies with little or no independent investigation by the Service. The information furnished is generally not sound evidence, but primarily consists of projections, opinions or conclusions of the local law enforcement officers. The investigations are not of the same depth as normal audit examinations.

In these cases, field agents initiate immediate assessments in order to seize assets in custody of local authorities before the assets are reclaimed by the taxpayers or their attorneys. The individuals arrested by local police generally remain in their custody for less than 24 hours.

We found that procedures and practices used in terminating the tax years vary nationally from district to district, and as a result tax laws and regulations are not applied consistently and equitably to all taxpayers.

The terminations are usually made on the basis that the taxpayer's illegal narcotics involvement constitutes a "prima facie" case. With few exceptions, there is no other hard evidence that income taxes are due or that collection of taxes are in jeopardy.

Commissioner Alexander

Since the Service does not issue Statutory Notices of Deficiency in these cases the taxpayers do not have the administrative appeal rights afforded to taxpayers subjected to jeopardy assessments or tax deficiencies arising from normal audit procedures. This fact coupled with the fact that the majority of the termination assessments are not supported by hard documented evidence gives rise to the distinct possibility that: (a) irreparable harm may be suffered by some of the taxpayers; and (b) the Service may be accused of assessing tax liabilities without due process of law.

The weaknesses in the termination assessments are illustrated by the results of full year follow-up examinations which often result in substantial reductions and refunds to the taxpayers when detailed examinations are made. In other instances where the taxpayers do not file full year returns, quality examinations are often not conducted. In these cases, the full year liability generally approximates the short period liability.

In order to gain more time to conduct an investigation, one district issues a summons to local police for assets in possession of the narcotics law violator at the time of arrest. The local police hold the property for up to ten days while the Service conducts an investigation. A similar practice in another district was discontinued in late 1973 after Regional Counsel rendered an opinion that this practice was an improper use of a summons.

Due to the common characteristics of these termination assessments, one adverse Supreme Court decision could affect hundreds of cases. For instance, if the Supreme Court should affirm a recent decision by the 6th Circuit Court of Appeals requiring the issuance of a Statutory Notice of Deficiency within 60 days of a termination assessment, all termination assessments may be rendered invalid. The Service has received other adverse decisions on termination assessments in lower courts, and has compromised other cases after the taxpayers filed suit.

Commissioner Alexander

Copies of the report have been transmitted to the Assistant Commissioner (Compliance) and the Assistant Commissioner (ACTS).

We will be pleased to discuss the report with you if you wish.

Sincerely,

Name deleted

—Assistant Commissioner
(Inspection)

Attachment

Internal Audit Report
on the
On-Line Audit of the Narcotics Traffickers
Program - Termination Assessments

Introduction and Scope of Audit

This report summarizes results of a special on-line audit requested by the Commissioner. The audit objectives were to determine whether Service policies, procedures, and practices used in terminating the tax years of narcotics subjects are in accordance with income tax laws and regulations and whether these policies, practices, and procedures are applied consistently and equitably in arriving at factually supported tax determinations.

Reviews were made in the Los Angeles and San Francisco Districts in the Western Region; in the Chicago and St. Louis Districts in the Midwest Region, and the Jacksonville and Columbia Districts in the Southeast Region. This report consolidates the findings resulting from these reviews as well as findings resulting from other recent audits.

Summary of Results of Review

We found that procedures and practices for terminating tax years of narcotics law violators vary nationally from district to district, and that as a result, tax laws and regulations are not applied consistently and equitably to all taxpayers. For instance, all six districts included in the review generally set a minimum value of assets seized ranging from \$500 to \$2,000 in determining whether a case should be considered for termination action. Also, the employees responsible for preparing termination reports (revenue officers, revenue agents, or special agents) vary from district to district.

Five of the six districts rely primarily upon information furnished by other law enforcement agencies and informants in making termination assessments. The information is generally received telephonically, and is often based on personal opinions, projections, conclusions or hearsay evidence rather than specific documented facts

concerning the subject. In some cases other minimal independent investigations are made by the Service; however, they are not of the same depth as normal audit examinations.

The sixth district, Jacksonville, issues a summons to local police for assets in the possession of a narcotics subject at the time of arrest. The police then hold the taxpayer's property for up to ten days while the Service conducts an investigation. A similar practice in one district in the Southwest Region was discontinued in 1973 after Regional Counsel rendered an opinion that this practice was an improper use of a summons.

Generally, all six districts terminate the tax years of narcotics law violators on the basis that the taxpayer's illegal narcotics involvement constitutes a "prima facie" case in which termination assessments should be made (IRM 4585.3). With few exceptions, there is no other hard evidence that income taxes are due or that the collection of such taxes are in jeopardy in these cases.

Although the burden is upon the Government in proving taxable income in these cases, the tax assessments are generally based upon taxable income estimated by a variety of methods. Due to the limited information available, these methods are generally not effective in determining a factually documented taxable income. For example, when the net worth and expenditures method is used, the taxpayer's net worth at the beginning and the end of the tax period is generally unknown. In addition, estimated costs of living expenses, which are often included in the net worth and expenditure computations, are generally not supported by facts in the case file. Other methods are usually equally ineffective in arriving at a factually documented taxable income due to the lack of detailed information.

The weaknesses in the termination tax assessments are further illustrated by the fact that the full year follow-up of these examination cases often results in substantial reductions in the tax assessments and refunds to the taxpayers. For instance, the full year examination of 24

termination assessment cases in the Chicago District resulted in recommendations that the termination tax assessments be reduced in all 24 cases. It was recommended that assessments totaling \$910,200 be reduced by \$772,500 to \$137,700. If the cases are settled on this basis, the taxpayers will be due refunds totaling approximately \$136,000. Conversely, in the Los Angeles District the review of 55 cases where the substitute for return procedure was used disclosed that the substitute returns were based primarily on the same information used to compute the termination period income. As a result there were 30 cases where the full year income was the same as the termination period income. In the remaining 25 cases the income was more or less than the termination period income, however, facts to support the changes were not fully documented in the file.

Due to the common characteristics of these termination assessments, one adverse Supreme Court decision could affect hundreds of cases. For instance, if the Supreme Court should affirm a recent decision by the 6th Circuit Court of Appeals requiring the issuance of a Statutory Notice of Deficiency within 60 days of a termination assessment, all termination assessments may be rendered invalid. The Service has received other adverse decisions on termination assessments in lower courts, and has compromised other cases after the taxpayers filed suit.

On June 17, 1971, the President announced the Administration's expanded effort to combat drug abuse. Included in the Presidential message was a charge to the Internal Revenue Service to conduct systematic tax investigations of middle and upper echelon narcotics traffickers.

Generally, the interpretation of the Service policies and procedures by the field has been to terminate an individual with a history and background of illegal activities coupled with a current arrest for narcotics violations.

The field agents of the Service have been faced with a requirement to make immediate assessment to prevent dissipation of the assets seized by local authorities at the time of arrest. Usually it becomes a race with the taxpayer

and/or his attorney. The majority of these assessments are based primarily on the information from the arresting officers because of the short time pressure factor. The individuals arrested usually have liquid assets only and remain in the custody of police less than 24 hours.

During the review, a District Director stated that there is not sufficient time to perfect a case to the extent that it would hold up in Court.

Appendix A summarizes the number and amounts of termination assessments made in the six districts tested and United States totals by Region for fiscal years 1972, 1973, and the first three quarters of 1974.

for R.W. Quinn
W. C. Rankin, Jr.
Director, Internal
Audit Division

Details of Results of ReviewGeneral Procedures

We found that the procedures and practices for terminating tax years vary from region to region and within the regions from district to district. As a result, tax laws and regulations are not applied consistently to all taxpayers. For example, all six districts included in this special review generally set a minimum value of assets seized in determining whether a case should be considered for termination action. The Columbia District requires a minimum of \$500 cash seized for a termination action while the Jacksonville District requires \$2,000 in total assets seized.

In Los Angeles termination assessments were made against taxpayers who had been arrested for possession and or sale of narcotics with cash or readily identifiable assets in excess of \$1,000. In San Francisco termination assessments were made against taxpayers who had been arrested on charges of sale of narcotics where there is information to show that income has been earned from that activity and that the taxpayers had cash or readily identifiable assets of at least \$1,000.

In the St. Louis and Chicago Districts generally only those taxpayers who had at least \$1,000 in their possession at the time of the arrest were terminated.

Internal Revenue Code Section 6851; Policy Statement P-4-89; and Internal Revenue Manual Section 4585, generally set forth specific circumstances and/or action by taxpayers that would jeopardize collection of taxes when subsequently due, and therefore provide a basis for tax year termination, assessment, and collection of taxes not otherwise due. The specific conditions and circumstances for tax year termination and assessment under IRC Section 6851 are summarized in Policy Statement P-4-89 (Approved 10-2-70) as follows:

"Termination of taxable period and assessment should be used sparingly and care should be taken to avoid excessive and unreasonable assessments. They should be limited to amounts which reasonably can be expected to equal the ultimate tax liability for the terminated period. Each termination of taxable period and assessment must receive the personal approval of the District Director or the Director of International Operations.

"A termination of taxable period and assessment will not be made without the existence of at least one of the three following conditions, unless prior approval is obtained from the Director, Audit Division:

- (1) The taxpayer is or appears to be designing quickly to depart from the United States or to conceal himself.
- (2) The taxpayer is or appears to be designing quickly to place his property beyond the reach of the Government either by removing it from the United States, or by concealing it, or by transferring it to other persons, or by dissipating it.
- (3) The taxpayer's financial solvency is or appears to be imperiled. (This does not include cases where the taxpayer becomes insolvent by virtue of the accrual of the proposed assessment of tax, penalty and interest.)"

Internal Revenue Manual Section 4585 and Section 3(11)4 of the Techniques Handbook for In-Depth Audit Investigations, IRM 4235, provide requirements and specific guidelines for tax year terminations and documentation required, to the extent practicable, for termination investigations, and recommendations and approval of termination actions. The required documentation, to the extent practicable, includes:

- (1) The name, address, and filing history of the taxpayer.
- (2) Tax and penalty to be assessed by periods.
- (3) The nature of the taxpayer's business or activity; the taxpayer's financial condition; information regarding the taxpayer's activity giving rise to the termination recommendation, such as transferring assets without consideration or attempts to hide assets, etc.; information regarding business losses; the nature and location of the taxpayer's assets and sources of income; and the taxpayer's record of resisting payment of taxes in the past.
- (4) Any other information regarding the taxpayer's financial condition, prospects for future losses, etc.

Review of recent termination recommendation reports and case files in the six districts showed that the files and reports were generally not documented with facts to show specific circumstances or acts by the taxpayers that would make collection of the taxes, when due, ineffective. Instead, the districts generally terminated the tax years on the basis that the taxpayer's illegal narcotics involvement constituted a "prima facie" case in which termination assessments should be made (IRM 4585.3).

However, IRM 4585.3 specifically requires that "prima facie" tax year terminations for taxpayers arrested on charges of possession and/or sale of narcotics should be supported by documented information to establish a factual foundation to show that subsequent collection of the taxes, not yet due, was in jeopardy, and that the termination actions were within the statutory provisions of IRC Section 6851.

Operating personnel stated that assessments must be made immediately in order to prevent the taxpayers from assigning their liquid assets to attorneys or other persons with the effect of placing them beyond the reach of the Service and that it is generally not possible to obtain specific factual documentation in the time available.

In the Jacksonville District the review indicates that the problem of immediate assignment of assets to others has been circumvented, at least temporarily by the immediate issuance of an IRS summons to the arresting officers. On receipt of the summons, local police retain possession of the taxpayer's "property", including cash, for 10 days. While having no legal effect on the ability of a narcotics violator to assign away his liquid assets, it has been effective in preventing the dissipation of his assets in this manner and has allowed the examining agent additional time for case preparation.

However, a recent review in the Oklahoma City District showed that summonses have been used in that district also. In May 1973, Regional Counsel interpreted the issuance of a summons for this purpose as an improper application of the provisions of IRC Section 7602 and recommended discontinuance of the practice.

Differences were noted also in the placement of responsibility for preparation of termination documents. In Los Angeles termination reports are prepared by revenue officers in the Offer-in-Compromise Group while in San Francisco the reports are prepared by revenue agents in the Narcotics Group.

In the Chicago District the special agent assigned to the team will initially be advised of the referral and in-turn will contact the revenue agent and revenue officer. The revenue agent has the responsibility of preparing all documents necessary for a valid assessment upon approval of the team leader. The special agent has the prime responsibility for the coordination with other agencies and the control of any criminal aspects of the case.

In the St. Louis District any division may originate the recommendation for a termination assessment although the Intelligence Division is generally the initial contact point for the other law enforcement agencies.

In the Jacksonville District the revenue agent initiates the termination action, while in the Columbia District the special agent has primary responsibility.

In four districts in the Central Region the use of termination assessments has been restricted because of a recent decision by the 6th Circuit Court of Appeals requiring issuance of statutory notices of deficiency.

Instructions in the North-Atlantic Region require that Regional Counsel be consulted in each case where a tax year termination assessment is being considered.

Examination Procedures - Short Year Terminations

The burden is on the Service to prove the existence of taxable income in termination actions. However, we found that generally these assessments were based on income estimated by a variety of methods which have for the most part proven ineffective in factually determining taxable income. The following assumptions were usually necessary in the income determinations: that income was earned during the period terminated; that funds on hand or used to purchase the drugs were from taxable sources; and that the funds were taxable to the individual in possession of the cash and/or narcotics.

In the Los Angeles and San Francisco Districts computations of taxable income were based primarily on information provided by law enforcement officers regarding the circumstances of the arrest for sale or possession of narcotics.

In 14 of 19 recent termination assessment cases reviewed in Los Angeles, the net worth and expenditures method was used in computing taxable income. In 4 of the 14 cases a

cost of living estimate was not included in the income computation. In the other 10 cases cost of living estimates ranged from \$400 to \$1,500 per month, but the files were not documented with specific facts to support the estimates. For 11 of the 14 cases, the taxpayers' marital status was not determined. In one case, the taxpayer was allowed a deduction for dependents, but the files in the other 13 cases did not establish whether the taxpayers were entitled to deductions for dependents.

The estimated gross sales method was used to compute termination income in the remaining five cases. In four of the five cases the taxpayers were allowed deductions from gross sales for the cost of narcotics sold. In the other case the taxpayer was not allowed the deduction. Also, the case files showed that three of the five taxpayers were married; however, the termination income was assessed against the taxpayer only and was not divided between the taxpayer and spouse in accordance with community property provisions.

In 24 of 26 recent termination assessment cases reviewed in the San Francisco District, the net worth and expenditures method was used in computing taxable income. In these 24 cases, cost of living estimates ranged from \$500 to \$1,500 per month. In 20 of the 24 cases, the estimates were not supported by specific facts or information in the case file. For all 24 cases, the investigations included a determination of the taxpayer's marital status. For the cases where the taxpayer was married, the termination income was divided in accordance with community property and income provisions. Also, where it was determined that the taxpayers were entitled to deductions for dependents, those deductions were allowed.

In the remaining two cases, termination income was computed by the estimated gross sales method. The taxpayers were married and the income was divided in accordance with community income provisions. The projected gross sales were based on specific admissions by the taxpayer.

In Chicago the net worth and expenditures method was used in computing income in 13 of 18 recent termination assessments reviewed. In the 13 cases, cost of living estimates ranged from \$50.00 per week to \$40.00 a day. None of the estimates were supported by specific facts in the files.

In the other five cases the income was computed by the estimated gross sales method. In one of the cases, estimated sales were based on hearsay evidence from an informant. In the other four cases, the assessments were based on specific information regarding periods of surveillance, "controlled" purchases, and statements from informants.

In 19 of the 25 recent termination assessment cases reviewed in the Jacksonville District the computations of income were based on a projection of sales over the terminated period. In 10 of the 19 cases the files did not clearly show the basis for the figures used for estimated weekly sales. In most instances, the tax liability determined was closely related to the assets seized. In this regard, the Group Manager explained that in determining the amount to be assessed, the amount expected to be realized from proceeds of the seizure and sale of taxpayer's assets is taken into consideration; that making a large assessment based on information from informants or police estimates would probably leave the Service in an indefensible position in Court if the Service could not show that the taxpayer had assets to support the income estimates.

The income in the other six cases was computed on either the cost of drugs or cost of habit method and the support was considered adequate.

In the St. Louis District taxable income was computed by the estimated gross sales method in two of three termination assessments reviewed. The income computations were not supported by documented facts in the case file. The income computation in the third case was based on a specific income item. In all three cases information that the taxpayers were married was not used, and in two cases information that the taxpayers had dependents was not used.

The computations of income in the eight cases reviewed in the Columbia District were based on a projection of estimated sales over the terminated period. However, in two of the eight cases, the case files either did not clearly show the basis for the estimated weekly sales figures that were used or the file did not clearly show that the length of time the taxpayer had been selling narcotics had been established.

A recent on-line audit report showed that in six of the ten most recent termination cases in the Austin District, the files did not contain substantiation for one or more statements made by narcotics experts which were used in computing taxable income. In one case the file did not substantiate the sales volume of 50 kilos per week or the cost price of \$80 per kilo. In another case, the file did not substantiate the source or basis of the cost price of seized heroin, nor did the case file include substantiation for estimated living expenses of \$13 per day.

Another recent review in Atlanta showed that the case files did not contain prescribed support for the basis used in estimating receipts from sales of narcotics in 24 of the 29 cases tested. No information was shown regarding the length of time taxpayer was in the narcotics business and no support was shown for the basis used in estimating gross sales except that the estimates were those of a narcotics expert. In five of the cases the assessments were supported by documented facts.

Examination Procedures - Full Year Tax Returns

Full year tax returns of narcotics violators previously terminated are subject to an audit examination whether the taxpayer has voluntarily filed a return or not. If the taxpayer has not filed a full year return, substitute for return procedures are followed.

In the Los Angeles District 61 full year 1972 examinations (63 terminations) were reviewed. In six cases where the taxpayers had filed full year tax returns, the examinations were of adequate scope and depth. In five cases, the examinations resulted in significant reductions to the short period tax liability while the sixth case resulted in no change to the short period liability.

In the remaining 55 cases substitute for return procedures were used. We found that in-depth examination procedures were not employed to include: (a) attempts to contact taxpayers or other third parties who would have knowledge of the taxpayers' income producing activities, (b) specific steps to identify changes during the year in the taxpayers' net worth by reviewing bank accounts, (c) attempts to identify assets acquired or sold, and (d) attempts to determine the taxpayers' style of living. The examinations primarily relied upon information developed by the termination investigation. The full year income computations were the same as the termination period income computation in 27 cases and were the same as the termination period income adjusted for annualization of the estimated cost of living rate in three cases. In the other 25 cases the full year income computations were more or less than the termination period income; however, facts to support the changes in income were not fully documented in the case file. Nineteen of the 30 examinations where the full year income was the same as the termination period income involved cases where termination period income computations were not supported by specific facts.

In San Francisco 12 full year 1972 examinations were reviewed. In four cases, the taxpayers had filed full year returns and in the other eight, substitute for return procedures were used. We found that in-depth examination procedures, to the extent practical, were used in all 12 cases.

The full year examination of 24 termination assessment cases reviewed in the Chicago District resulted in recommendations for reductions in the termination tax in all 24 cases. It was recommended that assessments totaling \$910,200 be reduced by \$772,500 to \$137,700. If the cases are settled on this basis, the taxpayers will be due refunds totaling approximately \$136,000.

In the St. Louis District four full year examinations had been closed with recommended assessments of \$19,727.46. Termination assessments for these cases originally totalled \$83,190.15. Therefore, full year examinations resulted in reductions totaling \$63,462.69.

The full year examination of 29 termination assessment cases reviewed in the Jacksonville District resulted in termination assessments totaling \$668,250 being reduced by \$329,406 to \$338,844. Most of this difference was attributable to seven cases.

In Columbia the full year examination of 12 cases resulted in recommendations to reduce termination tax assessments from \$634,253 to \$28,701.

Contested Cases

Reviews were conducted in the San Francisco, Los Angeles, and Jacksonville Districts to determine the Service's experience in defending termination assessment cases in court, with particular emphasis on reasons for the Service having lost any contested cases.

Reviews of the Regional Counsel General Litigation files for Los Angeles and San Francisco District cases disclosed that there have been six contested narcotics cases since June 30, 1972. Two cases were in the Los Angeles District and four cases were in the San Francisco District. Five of these cases were reviewed to determine why the taxpayers had initiated litigation to enjoin the Service from assessment or collection actions. In these cases Regional Counsel identified potential weaknesses in the Service's position as follows: (1) termination income and tax computation were not fully supported by specific facts (3 cases); (2) taxpayer had not received a Statutory Notice of Deficiency for the termination assessment (1 case); and (3) collection action had been initiated before the taxpayer could have received the termination letter (1 case).

In two cases the complaints were dismissed by the taxpayers based on the Service's agreement to compromise the liability. In the third case the taxpayer's suit was dismissed on the basis that the Court lacked jurisdiction to enjoin the assessment and collection of Federal taxes. In the fourth case the judge continued the case in open status with proceedings suspended, pending settlement of appeals on similar cases involving issuances of Statutory Notices of Deficiency for tax year terminations. The fifth case was closed when the full year examination shifted substantially all of the termination income to prior tax year.

Reviews of 11 contested cases in the Jacksonville District disclosed that the Government's position had been upheld in seven cases, the Government had lost one case in District Court, and three cases were still pending in District Court. In the case the Government lost, Chief Counsel recommended that the Government appeal the decision. In this case, the Government was enjoined from collection of the assessment and was ordered to return the moneys seized. The taxpayer had alleged that the District Director's findings were made without sufficient investigation to support his conclusions and without any true facts to reasonably support the issuance of the termination letter; that the District Director had not issued a notice of deficiency; and that the termination was made at the request of the local law enforcement officials to harass, annoy, and punish the taxpayer and was not done in order to protect the revenue and collect a tax that seemed to be in jeopardy. The taxpayer further alleged that unless the District Director was restrained, the taxpayer would be irreparably injured, inconvenienced, and damaged and his property would be taken from him in violation of due process and equal protection clauses of the Constitution of the United States.

In addition, the St. Louis District forwarded seven termination files to Regional Counsel in January 1974 requesting advisory opinions as to whether the cases would be upheld in Court if the taxpayer protested the assessments. The responses from Regional Counsel showed that five of the cases were weak from the standpoint of litigation and indicated little probability of success should the cases go to trial.

In the Central Region a decision by the 6th Circuit Court of Appeals on February 12, 1974, (Charles R. Rambo v. United States, et. al.) held that notices of deficiency must be issued within 60 days after making termination assessments under Section 6851. However, the Service position is that such notices are not required until a full year return has been filed. Due to the Rambo decision, Regional Counsel suggested that termination assessments be restricted and that jeopardy assessments under Section 6861 be used when possible. Regional Counsel also suggested that when termination assessments are made that property be protected by filing a notice of lien or notice of levy in order to freeze the funds or property rather than to seize and sell.

APPENDIX A

SUMMARY OF TERMINATION ASSESSMENTS

	Number of Termination Assessments			Total Dollars Assessed			Average Dollar Amount of Assessment		
	Fiscal Year			Fiscal Year			Fiscal Year		
	1972	1973	9 Mos. 1974	1972	1973	9 Mos. 1974	1972	1973	9 Mos. 1974
<u>Six Test Districts</u>									
Columbia	6	29	17	\$ 24,563	\$ 240,479	\$ 75,385	\$ 4,093	\$ 8,292	\$ 4,434
Jacksonville	9	128	100	166,562	2,842,626	1,356,985	18,506	22,208	13,569
Chicago	28	116	91	584,526	3,997,378	13,928,487	20,875	34,460	153,060
St. Louis	3	24	16	11,730	807,275	218,953	3,910	33,636	13,684
Los Angeles	72	273	188	5,119,267	9,564,026	6,343,312	71,100	35,033	33,741
San Francisco	37	109	115	2,251,063	1,053,864	902,913	60,839	9,668	7,851
<u>Regional Totals</u>									
North Atlantic	110	179	48	\$6,626,955	\$9,498,634	\$ 1,129,044	\$60,245	\$53,064	\$23,521
Mid-Atlantic	44	106	47	1,380,959	3,331,251	755,427	31,385	31,426	16,072
Southeast	76	283	207	1,424,068	4,750,542	2,247,444	18,737	16,786	10,857
Central	43	161	114	2,458,891	2,124,753	1,561,355	57,183	13,197	13,696
Midwest	59	205	174	1,423,068	6,723,714	15,746,075	24,119	32,798	90,494
Southwest	65	308	184	1,125,315	4,983,487	4,991,736	17,312	16,180	27,129
Western	145	538	375	8,054,995	15,480,964	8,543,360	55,551	28,775	22,782
<u>United States Total</u>									
	542	1,780	1,149	\$22,494,000	\$46,893,000	\$34,974,441	\$41,501	\$26,344	\$30,439

EXHIBIT 9

APR 18 1973

Chief, Audit Division
Chicago, Illinois

Chief, Intelligence Division I:102
Chicago, Illinois

Request for Services of Accounting Clerk **deleted**

We recently attended a public meeting of the Illinois Tax Rebellion Committee in an undercover capacity. This organization advocates non compliance with the IRS laws, and we have therefore begun to monitor their meetings and other related activities. We have found that the organization is very suspicious of IRS personnel attending these public meetings, and we believe that if a female were to accompany the special agent less attention would be drawn to him, thereby improving his cover. The Intelligence Division in Los Angeles, California, which successfully infiltrated this organization in California, commented that they would have been unable to do this without the use of female personnel.

Accounting Clerk **deleted** has assisted the Intelligence Division in a variety of clerical assignments in the past, and we believe that she would be an excellent selection to accompany the special agent in the attendance of these meetings. She has indicated to us informally that she would be available to assist in this assignment, and we request your approval.

Name deleted

EXHIBIT 10

Excerpt from a 1974 IRS Internal Audit Report2. Activities of a National Office Undercover Operative and the Trial of a Tax Protester

This situation involved actions of a National Office Undercover Operative used to secure information relative to the tax protester movement in the Los Angeles area. The operative had worked himself into a position of authority with the ~~tax protester movement~~ ~~of the Los Angeles area.~~

A document (preparer unknown), secured by Internal Audit at the National Office, Intelligence Division, reported on the actions of the undercover operative while in the Los Angeles area. The document notes that, "Sometime in the latter part of 1973, the operative obtained information through private discussions with [the tax protester being tried and two of his associates] relative to the criminal litigation on [the tax protester]. During these discussions, the operative determined that [the tax protester] was going to base his defense upon the issue of unlawful money. The operative obtained a copy of the brief prepared by the above three individuals, for use in a motion to dismiss one of the counts of [the tax protester's] indictment and accordingly the Intelligence Division was able to notify the U.S. Attorney and also do additional research in order for the U.S. Attorney to properly answer this motion. The motion was finally filed in January 1974, while the Intelligence Division had this information available to it several months before the actual filing date."

The document also noted that, "The undercover operative has supplied his contacts with statements relating to intent and future defenses of the following individuals currently or previously under investigation by the Intelligence Division [the document lists the above

tax protester and six other individuals]. The undercover operative has been visited by [the tax protester's attorney] on occasions and has attended one meeting at [the attorney's] home. [The tax protester's attorney] confers with and advises the majority of tax rebels under investigation by the Intelligence Division.

While the report of activities of the undercover operation is specific as to the fact that "the operative obtained a copy of the brief prepared by the above three individuals. . .", we have been unable to locate that brief. Our review of this matter, along with other matters relative to the tax protector noted above, are continuing.

EXHIBIT 11

April 15, 1975 1:15:AVR:few

Deleted

Assistant U.S. Attorney
 Room 1317A, U.S. Courthouse
 312 W. Spring Street
 Los Angeles, California 90012

Dear **Name deleted**

As requested, statistics were compiled relating to Failure to File (26 USC 7203) and False Withholding Statements (26 USC 7205) investigations conducted by the Los Angeles District U.S. Intelligence Division. The figures reflected below were compiled through an analysis of the case inventories (Forms 104) and other documents maintained by the Intelligence Division from 1971 to the present. The investigations, which may or may not have culminated in a recommendation for prosecution, relate to the 1970 through 1973 tax years. The following is a summary of the analysis:

Total Failure to File Investigations (7203)	100
Tax Protesters Investigated for Failure to File (7203)	46
Percentage of Failure to File Investigations (7203) Involving Tax Protesters	30%
Total False Withholding Statements Investigations (7205)	24
Tax Protesters Investigated for False Withholding Statements (7205)	24
Percentage of False Withholding Statements Investigations Involving Tax Protesters	100%

The work papers reflecting the details of the above summary are attached.

Sincerely,

Name deleted
 Group Manager, Group 15
 Intelligence Division

Attachments

<u>YEAR</u>	<u>TAX INVOLVED</u>
1972-73	1971 \$ 70.99 1972 1,344.05
1971-72 (One count W-4)	1971 193.39 1972 891.59
1971 (One count W-4)	1971 \$ 990.23

RECOMMENDATIONS AGAINST SELF-PROCLAIMED
TAX PROTESTERS PURSUANT TO INTERNAL
REVENUE CODE OF 1954, §7203

<u>CASE</u>	<u>YEAR</u>	<u>TAX DUE</u>	<u>GROSS INCOME</u>
	1970	\$ 523.72	\$ 8,427.55
	1971	577.92	9,130.09
	1972	187.19	9,765.21
	1970	523.73	8,427.55
	1971	577.92	9,130.09
	1972	187.20	9,765.21
	1972	633.93	7,062.62
	1972	365.64	4,676.36
	1973	3,092.87	15,961.82
	1972	960.26	9,476.00
	1973	1,448.60	9,601.00
	1971	990.23	7,642.61
	1971	70.99	12,596.31
	1972	1,344.05	12,281.84
	1971	193.39	6,415.80
	1972	891.59	6,780.78
	1970	6,725.39	47,328.66
	1971	3,912.37	75,836.14
	1970	2,606.50	67,692.40
	1971	75.00	16,823.17
	1970	1,987.54	74,997.04
	1971	1,748.45	\$27,155.17

<u>YEAR</u>	<u>TAX DUE</u>	<u>GROSS INCOME</u>
1971	\$ 675.53	\$12,747.26
1972	912.40	13,174.73

RECOMMENDATIONS AGAINST PERSONS WHO ARE NOT KNOWN OR BELIEVED TO BE MEMBERS OF THE ORGANIZED TAX PROTESTER MOVEMENT PURSUANT TO INTERNAL REVENUE CODE OF 1954, §7203

<u>CASE</u>	<u>YEAR</u>	<u>TAX DUE</u>	<u>GROSS INCOME</u>
	1970	\$ 698.49	\$21,564.09
	1970	18,412.49	45,730.00
	1971	2,859.63	17,026.37
	1970	2,097.74	23,141.52
	1970	413.40	17,299.68
	1970	Not Computed	34,237.61
	1971	" "	31,850.61
	1972	" "	32,129.13
	1970	Not Computed	28,922.59
	1970	964.63	12,028.15
	1971	2,362.94	19,266.74
	1972	1,473.67	15,124.68
	1970	1,173.00	7,441.00
	1971	242.00	3,303.00
	1970	2,414.46	19,556.86
	1971	2,525.91	18,932.82
	1971	3,967.18	18,578.43
	1970	10,617.96	34,698.89
	1971	9,237.04	34,946.52
	1970	1,640.60	12,257.36
	1971	885.58	9,349.50
	1970	119.00	4,050.00
	1971	707.82	7,769.75
	1971	1,013.85	6,897.65
	1972	617.24	\$ 5,141.64

CASES REFERRED TO THE DEPARTMENT OF JUSTICE BY THE OFFICE OF REGIONAL COUNSEL, INTERNAL REVENUE SERVICE, LOS ANGELES, CALIFORNIA, WHEREIN RECOMMENDATIONS FOR PROSECUTION WERE MADE PURSUANT TO INTERNAL REVENUE CODE OF 1954, §§7205 AND 7206, FOR THE YEARS 1970 THROUGH 1973.

RECOMMENDATIONS PURSUANT TO INTERNAL REVENUE CODE OF 1954, §§7205, (ALL CASES INVOLVE TAX FRAUDSTERS)

CASE	YEAR	TAX INVOLVED
	1972 (One count W-4) 1972 (Two counts W-4F)	1971 \$ 513.00
	1972	1971 3,123.45
	1972	1971 1,508.85
	1972	1971 1,989.64
	1972	1971 2,871.61
	1972	1971 1,706.00
	1972	1971 1,706.00
	1972	1971 1,972.00
	1972	1971 521.85
	1972-73	1971 1,678.00 1972 No record
	1972-73	1971 577.92 1972 187.19
	1972-73	1971 577.92 1972 187.19
	1972-73	1971 594.31 1972 633.95
	1973	1972 365.64
	1972-73	1971 (78.82) 1972 960.26 1973 1,448.60

EXHIBIT 12IGRU DATA

<u>District</u>	Number of Entities (Names)	Intelligence Division Investigations Initiated
	<u>1-15-75</u>	<u>7-1-73 thru 12-31-74</u>
Augusta	955	1
Portsmouth	961	1
Burlington	574	5
Boston	1421	4
Providence	3511	
Hartford	298	2
Brooklyn	8561	20
Manhattan	8918	27
Albany	1684	
Buffalo	278	45
Newark	6720	12
Philadelphia	6218	6
Pittsburgh	3773	5
Cincinnati	14996	7
Cleveland	29431	
Indianapolis	4403	6
Chicago	89417	4
Springfield	5907	
Detroit	33489	28
Milwaukee	6626	
Des Moines	2680	3
Wichita	4539	
Wilmington	225	
Little Rock	872	
Richmond	460	
Parkerburg	1404	
Greensboro	1072	1
Columbia	26	
Atlanta	2867	8
Jacksonville	17224	51
Louisville	4788	
Nashville	552	5
Birmingham	3414	2
Little Rock	1420	1
New Orleans	1298	
Oklahoma City	6654	1
Austin	8868	3
Dallas	4407	3
Denver	33921	
Albuquerque	3768	5
Phoenix	8944	9
Reno	18118	7
Portland	15062	28
San Francisco	8997	5
Los Angeles	85387	45
TOTAL	<u>465108</u>	<u>350</u>

EXHIBIT 13



memorandum
August 24, 1971

to: District Directors
Midwest Region
ATTENTION: Chief, Intelligence Division

from: ARC-Intelligence
Midwest Region

subject: Operation Mercury

Transmitted herewith for your information and utilization are detailed listings with respect to the captioned subject. I also am forwarding to you a copy of a letter dated August 11, 1971, received from Acting Director, Intelligence, regarding the listings.

Attachment

Name deleted

RECEIVED

AUG 24 1971

INTELLIGENCE DIVISION
HQS - ST. LOUIS, MO.



memorandum

to: Regional Commissioner, Midwest Region
Attn: ARC-Intelligence

AUG 11 1966

from: Intelligence Division
Washington, D. C. CP:I:P

subject: Operation Mercury

As you will recall, the National Office requested each region to make arrangements for transcribing six rolls of microfilm which contained information relative to the transmission of money orders, in excess of \$1000, during the year 1966. This phase of the operation was completed and punch cards were prepared from the transcription sheets.

The enclosed listings were processed. The information is arranged by state, and payee names are in alpha order by city. The data elements are: payee, to city, state, sender or purchaser, from city, state, amount, date, and reel number.

The source of this information is confidential. The documents were made available to us with the understanding that before we used them for investigative purposes Western Union would be served with a summons, in usual form, describing the documents needed. This procedure must be followed and is referenced in Handbook Section 232.9. We are mailing the microfilm for the year 1966 to the Chief at St. Paul, Minnesota.

We realize that the statute for the year 1966 will soon expire and that the tax year is closed for civil purposes. Therefore, the Chiefs should make every effort to utilize this information in such a fashion as to achieve maximum benefits. We suggest that this information be matched against open case files, and those names showing substantial activity should be matched against background files.

The strike force representatives should be alerted to the fact that this information is available in the districts.

Deleted
Acting Director

Attachments

EXHIBIT 14

November 5, 1970

All District Directors 900
Southeast Region

ARC (Intelligence) I
Southeast Regional Office

Operation Bird Dog

Attached is a copy of a memorandum to the Director, Intelligence Division, dated this date, which is self-explanatory.

The list of expensive automobiles from your state observed in Atlanta during the recent prize fight is also attached for your use as leads to possible income tax violations.

Deleted

Acting

Attachments

DD-Atlanta
DD-Birmingham
~~DD~~ Columbia
DD-Greensboro
DD-Jackson
DD-Jacksonville
DD-Nashville

November 5, 1970

Director, Intelligence Division CP:I
National Office

ARC (Intelligence) I
Southeast Regional Office

Operation Bird Dog

The Roaring 20's returned to Atlanta, Georgia, on October 24-28, 1970. People came in sleek limousines, customized automobiles, mink and flamboyant dress for the Muhammad Ali-Jerry Quarry fight on Monday night, October 26. The styles of the 20's prevailed with males challenging the females for the extreme in dress and the brilliance of colors, wearing wide brimmed hats, double-breasted jackets, two-piece suits with coats to the knees and some with full length mink coats.

After observing expensive custom built automobiles at the Regency Hyatt House, Atlanta's swankiest hotel, arrangements were made for the Atlanta District to conduct some old-fashioned bird dogging; that is, the taking of license numbers of the most expensive looking automobiles. The agents reported that the wearing apparel and the automobiles were fantastic with many of the automobiles in the \$20,000 to \$25,000 cost range.

Attached are lists by states (other than Southeast Region) of the more expensive automobiles, with their respective license numbers, that were in Atlanta for this occasion. The list was compiled from automobiles observed at the better hotels and motels where fight fans were lodging and in and around the Municipal Auditorium, the site of the fight.

Also attached are seven copies each of three newspaper articles relative to a robbery of after-fight partygoers. Written invitations were sent out to a large number of persons for the after-fight party at the home of Name deleted a local racketeer who has been engaged in the numbers racket. It is reported that guests were robbed of from \$100,000 to \$200,000 in currency, jewelry and clothing. It should be noted, however, that only the following six of the victims were willing to give their names and file complaints with the Atlanta Police Department:

Director, Intelligence Division CF:I

Name deleted

[New York City, N.Y.

Name deleted

New York City, N.Y.

Name deleted

New York City Detective

He said he lost \$485 in cash, a \$175 watch, a \$5,600 solitary diamond ring and his police badge, number 359.

Name deleted

Atlanta, Georgia

They lost about \$1,000 in cash and jewelry.

Name deleted

Cleveland, Ohio

He said he lost \$3,250 in cash and jewelry.

Name deleted

Atlanta, Georgia

He was stripped of \$348.

The police reported that several of the pation's top racketeers were among the victims of the holdup and that it was felt that these racketeers would be out searching for the robbers also.

This information is being furnished you for possible distribution to the other regions, or whatever disposition you deem appropriate.

Name deleted

Acting

Attachments

JEM/cj



memorandum

to: Regional Commissioner, Midwest Region
Attention: ARC-Intelligence

17 NOV 1970

from: Director, Intelligence Division
Washington, D. C. CP:I:O

subject: Birdogging Operation

Involving: Muhammad Ali-Jerry Quarry Fight

Attached is a copy of a memorandum dated November 5, 1970, from Acting, ARC-I, Southeast Region, together with the ~~Deleted,~~ newspaper clippings and lists of automobile licence numbers referred to therein.

This information is forwarded for such action you deem appropriate.

Please advise us what disposition was made of this referral or results obtained from any investigation.

R. K. Lund
R. K. Lund

Attachments

11-19-70
St. Louis
Shannon G. Martin, Acting
as

RECEIVED

NOV 23 1970

INTELLIGENCE DIVISION
IRS - ST. LOUIS, MO.

November 8, 1971

Regional Commissioner, Midwest Region
Attention: ARC-Intelligence

Chief, Intelligence Division
St. Louis District

Operation Bird Dog
Involving: MUHAMMAD ALI - JERRY QUARRY Fight
FINAL REPORT

Reference is made to your memorandum dated November 17, 1970 with attachment of memorandum dated November 5, 1970 of the Director, Intelligence Division, to which was attached a sheet listing five Missouri license numbers noted on expensive automobiles at the ALI-QUARRY fight in Atlanta, Georgia on October 26, 1970.

Inquiry regarding the identity of the individuals that were cited in my Status Report of March 5, 1971 resulted in the requisition of their 1968 and 1969 income tax returns. The investigation revealed that the parties reported sufficient income to warrant their trips to Atlanta, and also indicated that their occupations were such that their trips were more likely to be of a business rather than of a personal nature.

The returns of these individuals, with the exception of ~~Deleted~~ have been returned to the Midwest Service Center. It is believed that the recent returns of Mr. ~~Deleted~~ a professional wrestler, warrant forwarding to the Audit Division for possible examination in that their inspection indicated inadequate taxable income.

Name deleted

Distribution:

Orig. & 1 cc: ARC-I, Midwest Region
1 cc: St. Louis Files

EXHIBIT 15

FORM 1937-A (4-59) (CARBON ATTACHED VERSION OF FORM 1937)

IA

OPERATION BERDPOG

October 1, 1971 DIR:STL:I-3 - TH:em

Springfield Police Department
Springfield, Missouri 65804

Re

Springfield, Missouri 65804

In connection with an official investigation, it is requested that you check your records to determine if the above-named individual has had any arrests by your department.

A self-addressed envelope requiring no postage is enclosed for your convenience.

Thank you for your cooperation.

Name deleted

Special Agent



IRS OPERATION BIRDDOG

Police Headquarters
321 East Chestnut Expressway
Springfield, Missouri 65802
Phone 862-3551

October 11, 1971

Special Agent **Deleted**
Intelligence Division
Internal Revenue Service
P. O. Box 1576, Central Station
St. Louis, Missouri 63103

Dear Sir:

In reply to your letter requesting information on one
please be advised that in checking our files and the files
of the Greene County Sheriff's Office, we were unable to find a
criminal file on this subject.

We hope this information will be of assistance to you.

Sincerely,

Name deleted
CHIEF OF POLICE

Name deleted
Detective
Identification Division

EXHIBIT 16

Examples of Bi-Weekly Reports of Special Service Staff
December 1, 1969

Assistant Commissioner (Compliance)

Paul H. Wright

Biweekly Report - November 15-23, 1969

I. Organizations and Individuals

Three Organizations

Deleted

Review was made of files on these organizations in accordance with procedure formalized in the Foreign Organization Branch, Technical, - (O-P, Nov. 13, 1969). Under this procedure, the committee is given an opportunity to see all open Technical case files pertaining to activist organizations. This permits mutually advantageous initial information exchanges wherever exempt organization actions are pending on any entity where committee file data has been accumulated.

Three Organizations

Deleted

Through liaison established with United States Air Force Intelligence the committee has received information that these organizations are soliciting funds to help draft exiles in Canada and Sweden. Funds are being requested to give financial assistance to draft evaders already in these countries and by bulletins being distributed in quantity on college campuses in the United States, students are being encouraged to become draft evaders.

Assistant Commissioner
(Compliance)

December 1, 1969

A black militant organization and leader deleted

Telephone discussions were held with officials of San Francisco District relative to initiating actions on and as outlined in A/O Committee recommendations of October 20, 1969.

Names of a husband and wife deleted

Copies of sensitive case reports have been received indicating Audit and Collection Divisions actions are underway to effect an orderly disposition of the outstanding deficiency in Federal taxes owed by the [deleted by SSCI]

Assistant Commissioner
(Compliance)

December 1, 1969

II. Other Organizations

Three Organizations deleted

Preliminary review has been made of committee data accumulated to date. On the surface it appears each organization should be closely examined, however additional information will be necessary before recommendations can be made.

Assistant Commissioner
(Compliance)

November 1, 1969

III. Other Actions

In response to your suggestion to investigate the possibility of a computer program to capture information on those individuals and organizations that are of interest to Compliance, visits were made to offices of the U. S. Secret Service and Department of Justice. Each of these agencies has a computer program and a master tape file that is compatible with the computers of Internal Revenue. Action is presently being taken to have a program written for use by Compliance and to secure the master tape files of the U. S. Secret Service and Department of Justice that will serve to establish a basic file for Internal Revenue Service.

District office information is now being received on the list of 22 organizations outlined in your memorandum of 10/8/69 to all Regional Commissioners. Data being received is in comprehensive detail and in nearly every instance additional organization names are being submitted as being relevant to this committee's operations. Telephone discussions with District officials reference the list of organizations and to those cases already initiated by the committee reveal that field offices are very pleased this committee is in existence.

There appears to be high acclaim that the charter of this committee will lead to enforcement actions needed to help control an insidious threat to the internal security of this country. Obviously we will receive excellent field cooperation and assistance now that our mission is understood.

(Signed) Paul H. Wright

Paul H. Wright

November 2, 1970

Assistant Commissioner (Compliance)

Paul H. Wright

Bi-Weekly Report (Oct. 19-30, 1970)

I. Organizations and Individuals**Black Militant Organization deleted**

During this reporting period a member of the Special Service Group visited the office of the Chief Investigator of the House Internal Security Committee to inspect **deleted** records. The committee had subpoenaed various bank records in the San Francisco area. Arrangements have been made to reproduce certain parts of the records and we will forward them to the San Francisco District for assistance to the revenue agent and special agent assigned to the **deleted** and **deleted** cases.

Two Organizations deleted

We have obtained additional information on both these organizations since we initiated field examinations.

The revenue agent (Washington Field Office) handling the examinations was contacted and he has reviewed, at our suggestion, the voluminous information now in our files. He states our additional file data will materially assist him in both these examinations.

Administrative Information
(Compliance)

Organization deleted

File review is continuing on this case. Photocopies of various copies of tax returns filed by members have been received and are being reviewed at this time to determine if field actions may be warranted. Photocopies of gift tax returns filed by certain sympathizers are also being reviewed.

Two Individuals deleted

Telephone contacts were made with the Los Angeles and Detroit Districts to assist in closing these cases previously initiated by the Special Service Group.

Leftist Individual deleted

A thorough file review was completed but we were unable to determine any lack of compliance with Internal Revenue laws in this case.

II. Other Organizations and Individuals

Five individual case files (besides) were closed as having no revenue potential.

III. Other Actions

Two Individuals and One Organization deleted

The Detroit District has submitted a memorandum report stating they have reviewed the information submitted to them in our proposal for possible Audit action, but have concluded that enforcement action will not result in additional tax liability of "material compliance consequence." This is one of the very few

Assistant Commissioner
(Compliance)

declinations we have received on Special Service Group cases.

We are not questioning the District decision or its right to make the decision, as our referral letters (see copy attached) leave broad option. However, the information available indicates the individuals involved may be under-reporting their income and they are notorious campus and anti-draft activists having arrest records under anti-riot laws. They are the principal officers in the ~~deleted~~ an offshoot of the Students for Democratic Society, and have been identified as members of certain Communist front organizations.

This matter is cited in this report only for the purpose of suggesting that while revenue potential might not be large in some cases, there are instances where enforcement against flagrant law violators would have some salutary effect in this over-all battle against persons bent on destruction of this government.

(Signed) Paul H. Wright

Paul H. Wright

Attachment (our standard letter to Audit or Collection)

PHWright:ern 11-2-70

EXHIBIT 17

FEDERAL AGENCY REQUESTS FOR TAX INFORMATION
CY 74

Income Tax Information Requested by Federal Agencies
Which was Authorized Under 26 CFR 301.6103(a)-1

<u>Federal Agency</u>	<u>No. of Requests</u>	<u>No. of Taxpayers</u>	<u>No. of Returns</u>
Department of Agriculture	4	14	48
Bureau of Alcohol, Tobacco and Firearms	1	2	2
Department of Commerce	2	7	13
Comptroller of the Currency	1	2	2
U. S. Customs Service	1	3	12
Federal Deposit Insurance Corporation	2	14	16
Federal Home Loan Bank Board	5	50	178
Comptroller General (GAO)	3	1,406	1,406 *
Interstate Commerce Commission	2	9	45
Department of Justice (other than U.S. Attorneys)	384	3,228	10,446
United States Attorneys	1,594	4,448	18,062
Department of Labor	1	2	6
Securities and Exchange Commission	19	95	389
Renegotiation Board	<u>1</u>	<u>11</u>	<u>21</u>
TOTALS	2,020	9,291	30,646

* Returns of 710 taxpayers were not furnished but selected information was extracted from the returns by IRS and furnished to GAO.