

CHARLES E. GRASSLEY, IOWA, CHAIRMAN

ORRIN G. HATCH, UTAH
TRENT LOTT, MISSISSIPPI
OLYMPIA J. SNOWE, MAINE
JON KYL, ARIZONA
CRAIG THOMAS, WYOMING
RICK SANTORUM, PENNSYLVANIA
BILL FRIST, TENNESSEE
GORDON SMITH, OREGON
JIM BUNNING, KENTUCKY
MIKE CRAPO, IDAHO

MAX BAUCUS, MONTANA
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
KENT CONRAD, NORTH DAKOTA
JAMES M. JEFFORDS (II), VERMONT
JEFF BINGAMAN, NEW MEXICO
JOHN F. KERRY, MASSACHUSETTS
BLANCHE L. LINCOLN, ARKANSAS
RON WYDEN, OREGON
CHARLES E. SCHUMER, NEW YORK

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

KOLAN DAVIS, STAFF DIRECTOR AND CHIEF COUNSEL
RUSSELL SULLIVAN, DEMOCRATIC STAFF DIRECTOR

January 5, 2007

The Honorable Henry Paulson
Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Secretary:

I am writing to you regarding a matter of great personal interest to me – whistleblowers. I have long championed the work of whistleblowers and am proud that legislation I sponsored several years ago – the False Claims Act – has translated into recovering well over \$10 billion dollars in fraudulent spending by the federal government.

It is for these reasons that I am especially pleased that the “Extension of Tax Relief Act of 2006” signed into law recently by the President contains important legislation that provides the Treasury Department the potential to similarly benefit from the work of whistleblowers.

While the statute provides significant guidelines based on the success of the False Claims Act, there are still requirements for the Secretary of the Treasury to issue guidance within one year to help ensure the success of this legislation. I would appreciate your informing me of the guidance that Treasury and the Internal Revenue Service (IRS) are planning or considering issuing in this area; the timing for that guidance; and, the individuals responsible. In addition, please inform me of what steps are being taken in response to the recent Treasury Inspector General for Tax Administration (TIGTA) report and findings on the whistleblower office.

In addition, I would ask what steps Treasury is taking to inform the general public about the new whistleblower rewards program. Under current procedure, IRS instructs employees not to solicit informants to provide information in exchange for a reward. While this may make sense for information regarding individuals not covered by this legislation, it is important that there be broad public knowledge of this legislation. I appreciate your informing me of what changes will be made in this matter and also steps to publicize this rewards program.

I am especially concerned about who will be responsible for administering the new Whistleblower Office created by this legislation. It is important that the individual selected to head the office has a commitment to this program and energy and experience to make sure the potential of this legislation to bring billions of dollars into the treasury is fully realized. I appreciate your keeping me fully informed of the selection criteria and process. My hope is that

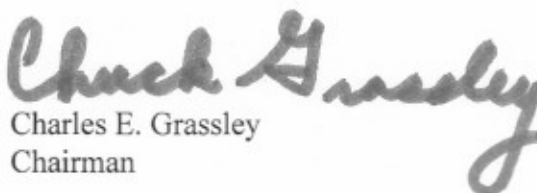
capable leadership can quickly be put in place. I also would appreciate your views on the location of the Whistleblower Office within the IRS. Given the intent of the legislation to create an independent office and the focus on large cases, I would suggest the location of the current office should be revisited.

The Finance Committee will be having a bipartisan roundtable on this provision on February 5th, at 2:00 p.m. I would ask that those responsible for this new program at Treasury, IRS and the TIGTA attend this roundtable. We want to have an informed dialogue with all interested parties about this new provision. I'm confident this roundtable will assist the Treasury and IRS in their work.

Finally, pursuant to Sections 6103(f)(1) and (4) of the Internal Revenue Code of 1986, I designate Dean Zerbe and Mary Baker as my agents for purposes of examining all relevant information on all applications for and awards made under Section 7623 for the last three years and going forward for the Committee's ongoing investigation and review of this matter.

Thank you for your time and attention to this matter.

Cordially yours,


Charles E. Grassley
Chairman

cc: Ranking Member Baucus