

IRS Whistleblower

My 33 Years as an IRS Insider will show you the secrets of how to engage the IRS and win.

Richard M. Schickel

The IRS Whistleblower. Copyright 2015 by Richard M. Schickel and RMS Consulting LLC. All rights reserved. Printed in the United States of America. No part of this book may be used or reproduced in any manner whatsoever without written permission, except in the case of brief quotations embodied in critical articles and reviews. For information contact: RMS Consulting LLC 505 N. Alvernon Way, Tucson, AZ 85711

Notice from Author and Publisher

The author and the publisher disclaim all liability for any damages resulting from the application of the information presented in this book. This book is a memoir of the author's experiences in the IRS. All names, dates, and case circumstances are compilations and have been and sanitized to prevent disclosure of confidential tax information. This book is designed to share the author's findings and opinions based on life experiences, research, analysis and experience with the subject matter covered. This information is not provided for purposes of rendering tax, legal, accounting, or other professional advice. If tax, legal or accounting advice is required, the services of a qualified attorney, CPA or Enrolled Agent should be sought.

Dedication

This book is dedicated to all the employees of the Internal Revenue Service past and present.

This book is dedicated to all the taxpayers who have had the Internal Revenue Service in their lives, like it or not.

This book is dedicated to all people who suffer stress, worry and fear because of the actions of government, courts and institutions.

These include people who suffer from lack of care from the Veterans Administration.

For people who are the victims of neglect and abuse from the mental health care system. See www.NAMI.ORG .

For the disabled and elderly who lack resources to provide for their wellbeing or who suffer abuse from elder care abuse, guardianship fraud. See www.KillingSeniors.org

Acknowledgments

Thanks to Rachel Theron of Lekka Media Design and Marketing for the cover design and internet and to Ashley Chen of Neyda Consulting, for her cover photography.

I thank all the editors, proofreaders and technical editors who worked on this project with me. None wish to be identified due to fear of repercussions from the IRS.

Thanks to my friends and family who acted as editors, technical editors, and proofreaders because many professionals I approached and hired were afraid of any project involving the IRS.

Thanks to my friends and family who have encouraged and guided me, including Frank and JoAnne, Kathleen, Kay and Deane, William, Reina, Billie, Jean, Becky, Juanita, Larry, Lupe, Kay, Christy, Alice, Ashley, Claire, Rachel, Shannon and Leah and many others who provided wise counsel, emotional support and financial investment in this project.

Acronyms Used in this Book

ACS	Automated Collection System
ACTC	Additional Child Tax Credit
ADP	Automated Data Processing System/Computer Master File
BIR	Bureau of Internal Revenue
CAU	Caution on Contact
CI	Criminal Investigation
CIC	Coordinated Industry Case Program
DEA	Drug Enforcement Agency
DIF	Discriminant Index Function
EIC	Earned Income Tax Credit
EIN	Employer Identification Number
EITC	Earned Income Tax Credit
EPA	Environmental Protection Agency
FBI	Federal Bureau of Investigation
ITIN	Individual Taxpayer Identification Number
HIRTI	High Income Fast Track Initiative
HNWI	High Net Worth Individuals
HRAA	High Risk Assault Area
ICE	Immigration and Customs Enforcement
ICS	Integrated Collection System
IDRS	Integrated Data Retrieval Service
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
ISP	Industry Specialization Program
LUG	Large, Unusual or Questionable items on tax returns
MSSP	Market Segment Specialization Program
NTEU	National Treasury Employees Union

NRP	National Research Project
OIC	Offer in Compromise
PII	Personal Identifiable Information
PDT	Potentially Dangerous Taxpayer
RCA	Reasonable Cause Assistant
R/A	Revenue Agent
R/O	Revenue Officer
RPAP	Return Preparer Audit Project
RRA	IRS Restructuring and Reform Act of 1998
SAR	Suspicious Activity Report
SFR	Substitute for Return Program
SBU	Sensitive But Unclassified
SSN	Social Security Number
TAO	Taxpayer Assistance Order
TAS	Taxpayer Advocate Service
TCMP	Taxpayer Compliance Measurement Program
TFF	Treasury Forfeiture Fund
TIGTA	Treasury Inspector General for Tax Administration
UIDIF	Unfiled Income Discriminate Income Function
UNAX	Willful Unauthorized Access to taxpayer records.

Table of Contents

Preface: I'm a Hero

1 Introduction:

My Life in the Internal Revenue Service

2 Welcome to the World of the IRS

The History of the Internal Revenue Service

Income Tax Rates over the Years

Life as an IRS Collections Officer

Non-Compliance Rate: Who files and pays

Profile of the "Ideal" IRS Agent

Who does the IRS like to hire to be a Revenue Officer?

What does a Revenue Officer Really Do?

How Did I feel About the Work?

Who is a Typical Taxpayer?

Where is the IRS Now?

IRS Computer System and other Changes to IRS

Why is it so Hard to do this Job?

Take Care of Yourself First, Best and Always

The IRS, the President and Congress

IRS Hearings in 1998

What the IRS is and What it is Not

IRS Organization

IRS Employees Doing Their Jobs

How Much Do You Really Pay in Taxes

3 *IRS Culture*

What the IRS Does Well

IRS Management Stories

Lead Us Not Into Temptation

Past History of IRS Management

Sexual Harassment and Discrimination

The Big Seizure

Greed: Good vs. Evil

IRS Does Not Follow the Law

IRS Employees Who are now Convicted Criminals

IRS Abuses Taxpayers

Temptations in Tax Administration

Chasing the Bad Guys

Temptations within the IRS

Bribe Attempts

Conmen I Have Known

Bad Revenue Officer Training School

It's Nothing Personal

Never Seize This

A Smelly Seizure

IRS Employees Caught and Jailed

IRS Does No Live Up to the Law

IRS Rewards Employees Who Do Not Pay Their Taxes

The IRS Got Caught!

Attempting to Corrupt Tax Administration is Big Business for Those Outside IRS

IRS System Business Results–Abuses and Benefits

Revenue Officer Schickel and the FBI, IRS Criminal, ATF, and DEA

(The Right Hand Does Not Know What the Left Hand is Doing)

4 *IRS Abuse of Taxpayers*

Collection Abuse

Special Classes of Taxpayer

Chasing the Bad Guys

Employment Tax Abuse

Collection Statute Waiver Abuse

Penalty Assessment and Abatement Abuse

Jeopardy & Termination Assessment

Seizure Abuse Cases

Seizure Harassment

Closing a Case as In-Business Currently Not Collectible. Life Goes On!

Exigent Circumstances Seizure

Tax Professionals Abused

What Happens in the Field

Where the IRS Gets Free Money

The Statute of Collections and Assessment

Net Operating loss Fraud

Discriminate Index Function

Taxpayer Compliance Model Program and Return Preparer Program

Service Center Abuse

IRS Correspondence

The CP 2000 Program

The Excess Collection and Unidentified Remittance Fund

Lost Refunds Due to Non-Filing

The Statue of Collections and Assessment

Criminal Investigation Abuse

Who Criminal Investigation Doesn't Go After and Why

What Happens if They Don't Get Who They Want

Treasury Inspector General for Tax Administration (TIGTA) Abuse

4 Taxpayer Fraud and Abuse

Government Contractors as Delinquent Taxpayers

“You Are only As Good as the Company You Keep”

Additional Child Tax Credit Fraud

Child Tax Care Credit Fraud

Alimony Fraud

Earned Income Credit Fraud

Slavery Reparations Tax Credit Fraud

Federal Excise Tax Fraud

Receiving Form 1099 Is Used to Hide Income

Taxpayers Lying to Each Other

Under Reporting Income Fraud

Cost of Goods Sold Fraud

Retirement Contributions Fraud

Made to Fail Businesses

Businesses That Hide Behind the Shield of the Law

The Mills of God Grind Slowly, But They Grind Exceedingly Fine

Nuns, Priests, Rabbis and Ministers Abusing the System

First Time Home Buyers Credit Fraud

Like-Kind Exchanges Fraud

Higher Education Tax Credit Fraud

Unethical Tax Preparers

Chronic Delinquent Taxpayers and Serial Non-Filers

Loans to Shareholders

Playing Hide and Seek with the IRS

Prisoners Winning the IRS Lottery

Can I Borrow Your Kids for the Tax Season?

Tax Exempt Organizations Fraud

6 *Physical and Verbal Threats*

Security in the Field and Office

Dangerous Tax Professionals

You Do Not Want to Be a Member of this Club

IRS Employees in Danger

7 *Identity Theft*

What is the Source of the Social Security Number Leaks?

Refund Fraud

Business Identity Fraud

Individual Identity Fraud

The Toll it Took

My Contribution to IRS

Time for Change

The Start of an IRS Journey

Being Self Employed–Blessing or Curse?

What is the Underground Economy?

Where did the Money Go?

8 *Who Manages Your Money?*

The Trusted Rip-Off Artists

It's a Ponzi Scheme

IRS Fear

9 *IRS Survival Strategies*

Questions and Answers

A New Direction for the IRS

Never Lose Hope

Building Bridges to IRS

Endnotes

Preface

I'm a hero.

IRS work suited me perfectly. It was as if I was my own boss. I was a tax collector – a Revenue Officer looking for people who owed money or were negligent in sending tax returns to the Government.

My job required me to be out in the field much of the time driving around making cold calls on delinquent taxpayers. Sometimes I would be looking for people who did not want to be found. IRS Revenue Officers do not announce that they are coming; they simply knock on your door whenever they are in the neighborhood. That way they can observe your actual lifestyle and it is safer, since no harmful situations can be planned in advance.

One freezing day right before Christmas in 1982, I was looking for a taxpayer and was very lost. I found myself on an isolated street with only six houses and surrounded by cornfields. I was lost and alone. There was no one around to ask where I was. But I was about to learn being lost was a minor problem in comparison to what was ahead.

As I was staring at my map book, I looked up and saw a woman drive past me. She went to the house on the far side of the street behind me. I watched her in my rearview mirror. I saw her unload some groceries and then open the front door of the two-story house. When she opened the front door, thick black smoke came

pouring out. The smoke was coming from the ceiling, reaching her at waist level. She started screaming.

Strangely, my first instinct when I saw what was happening was “I should get the hell out of there.” Before I could finish processing that thought, I was out of my car running to help.

The woman was hysterical, but was able to tell me that she had gone out to the store and left her eight-year-old daughter Bridgett alone in the house asleep. Bridgett was trapped in the second floor bedroom. I could see the terrified little girl behind the window and storm window and saw smoke starting to fill her room. I yelled to her “close the bedroom door and stuff clothes at the bottom of the door.” She was afraid but did as I told her.

Bridgett was a scared little girl in her pajamas. I could see that she had “bed hair” and had apparently been asleep a short time ago. Mucus was flowing out of her nose from the smoke inhalation, kind of like someone had squeezed a tube of toothpaste from both nostrils. She was trapped behind two windows that were locked up tight for winter. She could not unlock the window or push it open. I had no idea how to get access to her on the second floor. Running into the house was out of the question, so I thought of getting help. This was before we had cell phones. I ran to the six houses on the street and banged on every door screaming, “Fire!” and “Help!” No one was home. It was early winter and no ladders or lawn furniture had been left outdoors – nothing that could help me reach the little girl.

The mother was hysterical and sobbing, and of no help at all. Then two German shepherds came from the back yard and started attacking me, biting my legs, ankles and pants. I yelled at them in what I hoped was a scary, commanding voice that I had never heard myself use before or since. "BACK OFF! I am trying to save the little girl." Miraculously they backed off as if they understood what I was there for, but they looked at me like they would attack again if I messed up.

I ran into the backyard and finally found a metal garden table and chair. I stacked the chair on the table and climbed until only my fingertips could reach the bottom of the windowsill. I am six feet tall but the bottom of the windowsill was still about six feet higher above my head. I was too low to get the window open. I saw some landscape rocks that must have weighed about 10–15 lbs. each, located around the house. They were partially frozen into the ground. I broke some from the frost and put them on the table. I told the girl's mother to get more stones, and then I stood on the rickety chair on the rickety table throwing these heavy stones over my head to break the windows.

I was amazed that I could throw these rocks. It was like I was throwing shot putts over my head. Of course, the first few rocks fell short of their mark and bounced off the screen, hit the table and almost knocked me down. Quickly I figured out how to throw harder and kept throwing the small rocks up over my head. I was able to break the screen and then broke the storm window next. When I

broke the storm window, shards of glass started to fall on me, cutting me.

Now the little girl was beyond terrified and actually afraid of me. Finally, I broke the inside window. I could smell the smoke from the fire. The girl looked relieved as she gasped for the fresh, freezing air outside the window. I ordered her to jump into my arms. She was beyond processing my directions because she was scared of me and terrified of the fire. She was slowly dying in that room – we both knew that from the look in each other's eyes.

I told her to climb up onto the windowsill so she could jump down into my arms. She said, "No!" wisely pointing out the large pieces of sharp glass sticking out. She was coughing worse now as more smoke was starting to come through her room seeking the outside air to feed the fire. I told her to use one of the rocks and start smashing the broken glass so there were smaller pieces of broken glass sticking up. She did. Then I told her to get up onto the windowsill and jump into my arms.

She was coughing, bleeding, sobbing. It is surreal to even remember this scene now. I was standing on a lightweight chair on a rickety metal table and I was trying to gain her confidence so she would jump into my waiting arms. When she climbed onto the windowsill her feet and her hands were on the broken glass shards. She started bleeding from more cuts. The smoke inhalation had caused more fluid to pour from her mouth and nose and she was coughing, trying to gasp for more air.

I screamed at her, "Jump now!" I was in an unstable situation and was at first asking, then yelling at this girl, and finally commanding her to jump. She was too afraid. I told her, "You are going to die in that room if you don't jump!" She and her mother were both hysterical and sobbing. She kept looking behind and beyond me thinking that surely someone would see the thick black smoke and come and help. I told her, "No one is coming. Jump!" She was determined not to jump and then in a move that surprised us both, she jumped safely into my arms. I believe that an angel pushed her out of the window.

When she finally jumped into my arms, the table held. I carried her down from the table and ran with her and her mother to my car. I dropped her in the middle of the front seat on to my tax collector files. I threw a box of the tax papers into the back seat. She had gotten blood on many of them getting into the car. She was going into shock from the combination of freezing weather, the thin pajamas she was wearing, and the considerable bleeding. Secretions were still pouring out of her nose and mouth. I had picked up my dry cleaning that morning and ripped apart one of my dress shirts, and tied it on each hand and foot to stop the bleeding. I also had a grey suit jacket from the cleaners and I wrapped her up in it for warmth. I was thinking at that moment, "I hope I don't get in trouble with my manager for getting the case files bloody." In fact, I continued to use the bloody case files and closed them over the next year. That is just how it is at the IRS – use it up – wear it out –

never waste anything. Funny what runs through your mind in a crisis.

I started to drive, but the mother was so hysterical, terrified and sobbing, that I could not concentrate enough to be able to drive. I reached over and slapped her face just like in some gangster movie with Jimmy Cagney. She stopped crying and I was able to drive on. The slap brought her back to reality, but I regretted that I had to do that in the moment.

Although I was lost, my sixth sense directed me to the roads I needed to take to get to the hospital. Bridgett told me that the house was her grandparents' house and they were visiting.

At the hospital I called the Fire Department. The emergency room doctor said that Bridgett had had a close call with death and that another 15 minutes of smoke inhalation would have caused her to die. He said she would be okay. Her mother said nothing the whole time. It was strange, to me, that her daughter was clutching me the whole time when she was on the examining table. I guess her mother was in shock. The father arrived shortly thereafter. That was also a strange interaction, because he addressed me as if I had caused the problem.

I never heard a thank you from Bridgett, her mother or father and I never saw or heard from any of them again. Maybe they did not like the IRS, I don't know. I later learned from the Fire Chief that she had fully recovered and he said that I was a "hero". The story was on the TV news and in the newspapers.

I stopped by the house on the way home and the only things left were smoldering timbers in the flooded basement. The cause of the fire had been a faulty chimney. Ashes from the fireplace fire the night before had smoldered in the wall and ignited the next day.

I received a Silver Medal from the Treasury Department, an Award for Heroic Action and Meritorious Service from the Secretary of the Treasury and a letter from President Reagan. I never really felt like a hero. God had put me in that place at that time for a reason. My destiny that day was to save this eight year old girl.

I was pretty shaken up after the rescue. Why was I at that exact place at that exact time when that mother and child needed help? Why me? Was this the Universe at work? Was there a God and a plan? Before that day they had all just been words in a book. Was it destiny, fate, accident or coincidence that brought me there? I now believe that God put me in that exact place to save Bridgett's life.

It was humbling when it first occurred to me that God knew who I was and had used me to help another person.

Little did I know how many more times God would use me to help other people. My life really began on that day. I felt good and happy that I had finally figured out what I was supposed to do in my life. Just show up, be available and God would use me to help people.

THE WHITE HOUSE

WASHINGTON

May 26, 1983

Dear Mr. Schickel:

Through the kindness of your parents, I was pleased to receive word of your heroic life-saving efforts. By assisting Bridget Caparelli in a time of urgent need, you proved yourself to be courageous and quick-thinking and you saved her life. I am proud to commend your fine deed.

Nancy joins me in sending our best wishes for the future. God bless you.

Sincerely,

A handwritten signature in black ink that reads "Ronald Reagan". The signature is written in a cursive, slightly slanted style.

Mr. Richard M. Schickel
Apartment 2-C
1140 Lorraine Road
Wheaton, Illinois 60187

UNITED STATES
DEPARTMENT OF THE TREASURY



MERITORIOUS SERVICE AWARD

To

Richard M. Schickel
In recognition of meritorious service in the
Treasury Department



Donald T. Regan
Secretary of the Treasury

CITATION

MERITORIOUS SERVICE AWARD

RICHARD M. SCHICKEL

The Treasury Department bestows the Meritorious Service Award on Richard M. Schickel for his courageous efforts in saving the life of an eight year old, Bridget Caparelli.

In December 1982, Revenue Representative Schickel responded to cries for help by the child's mother who, upon attempting to enter a nearby house at #9 Eagle Nest Court, found it completely enveloped with smoke. Neither Mr. Schickel nor the child's mother could enter the house to rescue Bridget, who was trapped inside near an upstairs window. Mr. Schickel broke the window and convinced the child to jump to him. Mr. Schickel then drove the child and her mother to the hospital where the child was released after treatment for cuts and smoke inhalation.

Thanks to the timely actions and good judgment demonstrated by Revenue Representative Schickel, the child survived. This award recognizes Mr. Schickel's concern and presence of mind which led to his successful effort in saving a life.

Passerby credited with saving girl, 8, from burning home

Fire destroyed a house in rural Elgin Monday afternoon, but an 8-year old girl sleeping inside when the fire started escaped with minor injuries.

South Elgin Fire Chief Louis Oine credited a Wheaton man with saving the girl's life.

The tri-level house at 9 Eagles Nest Court, off MacDonald Road southwest of Elgin, was gutted by the fire which apparently started in the lower level. A cause has not yet been determined, but Oine ruled out arson.

When firefighters arrived, the house was engulfed in flames, Oine said.

The fire apparently started while the girl, Bridget Caparelli of Lombard, was sleeping in an upstairs bedroom, Oine said.

The house is owned by Salvatore Titone, but neither he nor his wife were home at the time of the blaze.

Shortly after the fire started, Caparelli's mother came to the house,

discovered the fire, and called for help.

A PASSING motorist, Richard Schickel, 25, of Wheaton, came to assist her, Oine said.

"He is a real hero," Oine said. "As far as I'm concerned, he saved the girl's life."

Oine said Schickel broke some windows at the front of the house with large rocks and eventually persuaded the girl to jump into his arms. The girl was awakened by a smoke alarm and the barking of a family dog, Oine said. The dog perished in the fire.

The girl's mother took her to St. Joseph Hospital in Elgin, where she was treated for cuts on her hands and feet and for smoke inhalation. She was later released.

The state fire marshal was expected to inspect the scene today, Oine said.

Pingree Grove and Countryside firefighters assisted South Elgin in fighting the blaze.

My Life in the Internal Revenue Service

This book contains my memories of 33 years as a Senior Revenue Officer (Tax Collector) in the Internal Revenue Service (IRS) and about situations in which I was involved, heard about or witnessed. Some of them point out the strengths and the failings of the IRS. The names and case facts have been changed to protect the privacy of people I have worked with.

The intent of this book is to show that the IRS is an agency broken by years of budget cuts, an antique computer, an aged workforce 40% of which can retire by 2019, inexperienced employees and a failed approach to its Mission. The IRS cuts and new laws from Congress placed more responsibilities on IRS and are quickly destroying the old tax administration system. IRS management is responsible for mismanagement, inefficiency and confusion of their mission and purpose. I desire to expose what is not working at IRS, to draw attention to limitations of the existing system, so that a new tax administration system can be developed for the next fifty years.

The IRS of today is not what it was when I signed up for service in 1981. This book is about numbers. It has to be. The IRS is about numbers and money.

I trust in the system – the budget system, the Congress and the Whistleblower System. Tax assessment and collection are one of the fundamental jobs of the government and should not be contracted out to private collectors. I have faith a little information will go a long way to correct the wrongs that are prevalent at the IRS; the

wrongs that I have not only witnessed but objected to and then been made to suffer from.

Having faith and trust in the system is not enough. I also have hope. I believe in the Constitution of the United States that proclaims that we the people are all created equal and deserve equal protection under the law. I believe in the right of due process. I hate favoritism, inequality, and racism and discrimination against any person or class of people. I want this book to expose to the light of day the crimes and abuses that are being committed by the Internal Revenue Service against the taxpaying public, but also some citizens who are committing crimes and abuses against the IRS. Most importantly, I offer solutions.

The IRS is an amazingly efficient tax collector with many employees who want to help and serve the taxpayers of the United States. But it can be arbitrary, capricious and mean spirited, and that is just for starters. When challenged, the IRS can turn into a cruel, mean, bitter, vindictive enemy that will do whatever it can, using whatever federal government resources available to it, to not only win its case but also to teach a lesson to those who have challenged it. I have been at the end of that whip for years.

People have asked me if writing a book about the IRS is a wise thing to do. I have asked myself the same question, many times. One friend said "I think your book and your tax consulting business is cool, it's a great way to help people. The IRS is this thing that people are afraid of and you are in the position to help them understand how the systems works and that they don't need to lose

hope anymore.” Most people in trouble with the IRS are scared and paralyzed; they don’t know what to do or where to start. Some just play dead, hoping the issue will go away. The IRS never goes away. All of my years at IRS were filled with fear and conflict and pressure to perform. Doing the right thing for the taxpayers was not at the top of my list. During most of my tenure I have suffered in conflicts with IRS management. I am not complaining, but I am through living in fear. I just want my story to be told and I will face the consequences, but I will not fear them.

When I outlined this book I did not plan to tell this next story—because I do not want this to be a negative book. But what happened to me after I arrived in the Tucson, Arizona IRS Post of Duty was so incredible and so damaging to me and thousands of taxpayers and dozens of employees that I felt it important to share.

I retired from the IRS in December, 2013 and now have a private tax consulting practice where my colleagues, a group of retired IRS employees and I continue to provide service to taxpayers in need. Our mottos are “We know the IRS, because we were the IRS,” and “Helping the IRS do the right thing.”

I remember during a congressional hearing listening to Congressman Douglas Barnard from Georgia, who was on a subcommittee investigating senior IRS management. He claimed “there is persuasive fear among IRS employees that reporting the misconduct of their superiors will result in retaliation against them.” Congressman Barnard said “The IRS world ...is a world where whistleblowers are systematically punished and where wrongdoers