

**DESCRIPTION OF H.R. 7959,
THE “IRS WHISTLEBLOWER PROGRAM IMPROVEMENT ACT”**

Scheduled for Markup
by the
HOUSE COMMITTEE ON WAYS AND MEANS
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Prepared by the Staff
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INTRODUCTION

The House Committee on Ways and Means has scheduled a committee markup for March 25, 2026, of H.R. 7959, the “IRS Whistleblower Program Improvement Act.” This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a description of this bill.

¹ This document may be cited as follows: Joint Committee on Taxation, *Description of H.R. 7959, the “IRS Whistleblower Program Improvement Act”* (JCX-8-26), March 23, 2026. This document can also be found on the Joint Committee on Taxation website at www.jct.gov. All section references in the document are to the Internal Revenue Code of 1986, as amended (the “Code”), unless otherwise stated.

A. The IRS Whistleblower Improvement Act

1. Standard and scope of review of whistleblower award determinations

Present Law

Whistleblower Office and awards

The Internal Revenue Service (“IRS”) may make payments it deems appropriate in order to obtain information leading to detection of underpayment of tax or to detection, trial, and punishment of persons guilty of violating internal revenue laws, where such payments are not otherwise provided for by law.² In addition, if the IRS proceeds with administrative or judicial action as a result of such information received from an individual and the proceeds from that action exceed \$2 million from either an individual taxpayer whose gross income exceeds \$200,000 or any entity, awards are mandatory.³ Neither the discretionary nor the mandatory awards include interest.

The mandatory awards are for individuals who provide information against any entity or individual regarding violations of the tax laws to the Secretary of Treasury (“the Secretary”) and submit claims to the Whistleblower Office. That office was created in 2006 to administer such awards and provide annual reports to Congress on the use of section 7623 and recommendations for possible amendment or approval.⁴ A claim for an award must be submitted in writing, under penalties of perjury. Generally, there is an award floor of 15 percent of the collected proceeds (including penalties, interest, additions to tax, and additional amounts) if the IRS moves forward with an administrative or judicial action based on information brought to the IRS’s attention by an individual. The maximum award available is 30 percent of the collected proceeds. The amount of the award varies within that prescribed range depending on the degree to which the information contributed substantially to the outcome.

In instances in which the IRS determines that the successful action depended on allegations (other than information provided by the individual) resulting from a judicial or administrative hearing, government report, hearing, audit, investigation, or from the news media, the IRS may award a lesser amount (but no more than 10 percent of proceeds), after taking the individual’s contribution into account.⁵ If the IRS determines that the whistleblower planned and initiated the activities that resulted in the underpayment of tax, the award may be reduced or,

² Sec. 7623(a) (discretionary awards).

³ Sec. 7623(b) (mandatory awards).

⁴ The Office was created in 2006. Sec. 406(b), the Tax Relief and Health Care Act of 2006, Pub. Law 109-432, December 20, 2006.

⁵ Sec. 7623(b)(2) (less than substantial contribution).

if the whistleblower was convicted of criminal conduct as a result of such planning and initiation, denied entirely etc.⁶

Each year the Whistleblower Office is required to report to Congress on the use of section 7623 in the preceding year, including the results of such use. The report also is expected to include administrative or legislative recommendations for the provision and its application.⁷

Attorney fees of the whistleblower

In providing information to the IRS about a taxpayer's noncompliance and later pursuing an award for such cooperation, whistleblowers frequently retain legal assistance and incur fees. The Code authorizes a deduction for attorneys' fees and costs paid by, or on behalf of, the individual in connection with any mandatory award for providing information regarding violations of the tax law. This deduction is allowed in computing adjusted gross income and is therefore subject neither to the limitation of miscellaneous deductions nor the requirement that the taxpayer itemize deductions.⁸ The amount that may be deducted in computing adjusted gross income may not exceed the amount includible in the taxpayer's gross income for the taxable year on account of such award (whether by suit or agreement and whether as lump sum or periodic payments).

Case status information

Section 6103 allows limited disclosure to whistleblowers of information about the taxpayer who is the subject of the whistleblower information, but only to the extent disclosure is necessary in obtaining information not otherwise available for the determination or collection of tax. In addition, section 6103 requires that the Secretary notify whistleblowers as to the status of their case not later than 60 days after (i) the case has been referred for an audit or examination; and (ii) the taxpayer makes a payment of tax with respect to the tax liability to which the information provided by the whistleblower relates.⁹ Subject to any requirements and conditions prescribed by the Secretary, upon written request by the whistleblower and so long as the disclosure would not seriously impair Federal tax administration, the Secretary is to provide information on the status and stage of any investigation and, in the case of a determination of the amount of any award, the reasons for such determination. To ensure taxpayer information is protected, whistleblowers receiving information under this provision are subject to the general rule of confidentiality and criminal penalties for unauthorized disclosure of taxpayer information.

Tax Court review of a whistleblower award

A whistleblower whose request for a whistleblower award is denied or issued in an amount lower than requested may seek judicial review of the determination in the United States

⁶ Secs. 7623(b)(2)(3) (participated in the noncompliance activity).

⁷ Sec. 406(c), the Tax Relief and Health Care Act of 2006, Pub. Law 109-432, December 20, 2006.

⁸ Sec. 62(a)(21).

⁹ Sec. 6103(k)(13).

Tax Court (the “Tax Court”). The petition seeking such review must be made within 30 days of such determination. Review of an award determination may be assigned to a special trial judge.¹⁰ The Tax Court has promulgated special procedural rules to protect the privacy of both the whistleblower and the taxpayer about whom the whistleblower provided information to the IRS.¹¹ The Tax Court reviews a denial or reduction of a whistleblower reward on the basis of the administrative record and applies the abuse of discretion standard of review (that is, the Court defers to the Whistleblower Office unless an abuse of discretion is found) rather than the *de novo* review generally applicable to deficiency cases.¹²

Civil remedies for retaliation against whistleblower

A whistleblower who suffers retaliation from an employer may seek relief via a civil action.¹³ A person who alleges discharge or other reprisal by an employer may file a complaint with the Secretary of Labor (within 180 days after the date on which the violation occurs), and if the Secretary of Labor has not issued a final decision on such complaint within 180 days (and the delay is not due to the bad faith of the claimant), an action may be brought in the appropriate district court.¹⁴ The remedies provided are consistent with those currently available under the False Claims Act, including compensatory damages of reinstatement, 200 percent of back pay and all lost benefits, with interest, and compensation for other special damages including litigation costs, expert witness fees, and reasonable attorney fees.¹⁵ Attorney fees incurred in pursuing one of these remedies for unlawful discrimination may be deducted in computing adjusted gross income, up to the amount of the award or settlement.¹⁶

Description of Proposal

The proposal specifies that the judicial standard of review by the Tax Court is *de novo* and the scope of such review is limited to the administrative record on which the original award determination was made, supplemented only by information previously unavailable or newly discovered.

¹⁰ Sec. 7443A(b)(6).

¹¹ See Tax Court Rule 345 generally, as well as Rules 27 and 103(a). Otherwise, proceedings in Tax Court are expected to proceed in open court. The Tax Court Rules of Practice and Procedures are available at <https://ustaxcourt.gov/files/documents/Complete-Rules-of-Practice-and-Procedure.pdf>.

¹² *Kasper v. Commissioner*, 150 T.C. 8 (2018); *Lissack v. Commissioner*, 125 F. 4th 245 (D.C. Cir. 2025), aff’g 157 T.C. 63 (2021).

¹³ Sec. 7623(d)(2).

¹⁴ *Ibid.*

¹⁵ Sec. 7623(d)(3).

¹⁶ Secs. 62(a)(20) and 62(e).

Effective Date

The proposal is effective on for petitions pending as of the date of enactment as well as petitions filed on or after such date.

2. Whistleblower privacy protections

Present Law

For a description of present law relevant to whistleblowers, see the discussion above under “Standard and scope of review of whistleblower award determinations.”

Description of Proposal

The proposal requires that a whistleblower proceed anonymously in any Tax Court proceeding to review a determination regarding a whistleblower reward, unless the Court finds that there is a societal interest in disclosing the identity of the whistleblower that exceeds the potential harm that disclosure would cause to him or her.

Effective Date

The proposal is effective for petitions pending as of the date of enactment as well as petitions filed on or after such date.

3. Modification of IRS whistleblower report

Present Law

For a description of present law relevant to whistleblowers, see the discussion above under “Standard and scope of review of whistleblower award determinations.”

Description of Proposal

The Whistleblower Office is required to include in its annual report a list of the top ten tax avoidance schemes disclosed by whistleblowers during the year in question.

Effective Date

The proposal is effective for reports for fiscal years ending after the date of enactment.

4. Interest on whistleblower awards

Present Law

For a description of present law relevant to whistleblowers, see the discussion above under “Standard and scope of review of whistleblower award determinations.”

Description of Proposal

Under the proposal, a whistleblower who is entitled to a mandatory award may also be entitled to payment of interest at the rate applicable to overpayments of tax if the IRS fails to give timely notice of a preliminary determination with respect to the claim for such award. The notice of such determination is due by an applicable date defined in the proposal as a date that is both (1) 12 months after all proceeds are collected from the action taken based on the information from the whistleblower, and (2) either the time has elapsed in which the taxpayer who was the subject of the action could claim a refund or initiate a refund suit or the taxpayer has reached a final settlement of the tax liability in question and waived any right to seek a refund. Interest accrues for the period from the applicable date until the date on which such notice is given. No interest accrues after such notification.

Effective Date

The proposal is generally effective 180 days after the date of enactment. A special rule applies to a case in which the applicable date has passed with no notification from the IRS as of the effective date. In such cases, a new applicable date of one year after the effective date is deemed to apply.

5. Correction regarding deductions for attorneys' fees

Present Law

For a description of present law relevant to whistleblowers, see the discussion above under "Standard and scope of review of whistleblower award determinations."

Description of Proposal

The proposal changes the cross-reference to section 7623(b) in section 62(a)(21) to a cross-reference to the entire section, so that attorneys' fees related to pursuing an award in the whistleblower program are deductible in computing adjusted gross income, regardless of whether the award was discretionary or mandatory.

Effective Date

The proposal applies to taxable years ending after the date of enactment.