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B-10761 June 29, 1940

Number: B-10761

Date: 1940-06-29

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Victor C. Brahm % City Building Inspector City Hall, Galveston, Texas

Sir:

Reference is made to your letter of March 5, 1940, requesting review of settlement No. 0524964 dated January 12, 1939, which allowed you $700.76 as a reward for information which led to the detection of violations of the Internal Revenue laws and the recovery of additional income taxes and penalties.

The basis of your request for review is that you were informed by a special agent and a local Internal Revenue agent that they were recommending that you receive 10 percent of the amount of taxes and penalties collected, or the highest amount payable under the law.

The law under which any amount may be paid for information such as that furnished by you is section 3463, Revised Statues (now section 3792, Internal Revenue Code), as follows:

"The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized to pay such sums, not exceeding in the aggregate the sum appropriated therefore, as he may deem necessary for detecting and bringing to trial and punishment persons guilty of violating the internal revenue laws or conniving at the same, in cases where such expenses are not otherwise provided for by law."

The offer of reward issued by the Commissioner of Internal Revenue pursuant to this law is in part as follows:

"*** the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, does hereby offer for information given by persons other than officers of internal revenue *** that shall lead to the detection and punishment of persons guilty of violating the internal revenue laws, or conniving at the same, such reward as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall deem suitable, but in on case exceeding 10 per cent of the net amount of taxes, penalties, fines and forfeitures which, by reason of said information, shall be paid irrecoverably to the United States through suit or otherwise." (Treasury Decision 4663, July 6, 1936)

The contract of the Government to pay a reward was expressed in this circular which offered informers "such reward as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall deem suitable" in no

case exceeding 10 percent of the amount collected. A person giving information in response to this circular does so with an understanding that the legal obligation of the Government is embraced in the wording thereof, namely, that the reward is to be such as the Commissioner shall deem suitable, subject only to the approval of the Secretary of the Treasury. See Green v. United States, 17 Ct. Cls, 238; Crane v. United States, 23 Ct. Cls. 94.

The action of the Commissioner of Internal Revenue and the Secretary of the Treasury in deciding what was a suitable reward for the information furnished by you is not subject to review or revision by this office. The amount allowed in the settlement of your claim is the amount fixed and approved by these officials under the law and offer of reward as quoted above, and no further sum may be lawfully paid. The settlement of your claim was accordingly correct and is hereby sustained. B-5768, September 16, 1939.

It may be said for your information that the amount recovered in this case as income taxes and penalties was $11,679.31, exclusive of interest, and that the percentage allowed as suitable compensation for your services was 6 percent. No reward is payable on such interest as may have been recovered.

Respectfully,

R. N. _____ Acting Comptroller General of the United States