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THE TAX LAWYER

Dec. 30 2011 — 6:05 am

IRS Summons? Meet John Doe

How does the IRS get on to you, you might wonder? Increasingly, one important technique is the [John Doe Summons](#). It blew the lid off the hushed world of Swiss banking in 2008 when a judge allowed the IRS to [issue a John Doe summons to UBS](#) for information about U.S. taxpayers using Swiss accounts. Swiss law prohibits banks from revealing the identity of account holders, but the rest is history.



Meet John Doe. With a **normal** summons, the IRS seeks information about a specific taxpayer whose identity it knows. A John Doe summons allows the IRS to get the names of **all** taxpayers in a certain group. The IRS needs a judge to approve it, but recent IRS success may lead to more.

A John Doe Summons is ideal for pursuing investors in tax shelters, account holders at financial institutions, attendees at an event, donors of real estate, etc. After sniffing out American taxpayers with UBS accounts, the IRS did the same with HSBC in India. But the IRS tells its own examiners to use a John Doe Summons only after trying other routes. The IRS Manual says it may be possible to obtain taxpayer identities **without** issuing a John Doe summons.

Example: Say the IRS is investigating a [tax shelter promoter](#). The identity of shelter investors may be relevant to investigating the promoter, so the IRS could issue a **standard** summons as part of its promoter investigation.

The IRS Manual warns this works only if investor identities is relevant to investigating the promoter. Still, a “dual purpose summons” can be a great way for the IRS to, well, kill two birds with one stone. The IRS says examiners should consider a dual purpose summons **before** a John Doe summons.

A federal judge recently gave the IRS permission to serve a John Doe summons on [California’s State Board of Equalization](#). The IRS wants names of Californians who gifted real property to their children or grandchildren between [2005 and 2010](#). The IRS believes many failed to file federal gift tax returns reporting family transfers. It’s not just Californians in the crosshairs. The IRS has already received information about intra-family property transfers from county and state officials in other states.

My prediction? Expect the IRS to put its John Hancock on more John Doe Summonses.

For more, see:

[Federal Judge Green Lights Search For California Gift Tax Cheats](#)

[The New Gift Tax Audits: IRS Identifies Non-Filers Using State Property Records](#)

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