

SUPPLEMENTARY DETAILED STAFF REPORTS  
ON INTELLIGENCE ACTIVITIES AND THE  
RIGHTS OF AMERICANS

BOOK III

FINAL REPORT  
OF THE  
SELECT COMMITTEE  
TO STUDY GOVERNMENTAL OPERATIONS  
WITH RESPECT TO  
INTELLIGENCE ACTIVITIES  
UNITED STATES SENATE



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that there has been a full and fair exposition of pertinent facts to allow formation of independent opinion by the public. The same detailed analyses is required on whether more than an insubstantial, part of a charitable organization's activities are the carrying on of propaganda to influence legislation.

## IRS INFORMATION GATHERING PROCEDURES

### I. THE INFORMATION GATHERING AND RETRIEVAL SYSTEM

#### A. Introduction

In May, 1973, the IRS established the Information Gathering and Retrieval System. The IGRS was a new approach to intelligence gathering, and to the storage and retrieval of so-called "general" intelligence, as contrasted with intelligence developed in the course of an investigation of a specific tax case. Under the system, significant intelligence resources were to be diverted from investigation of specific tax cases and allocated to gathering general intelligence. The purpose of this allocation of manpower was to develop tax cases which the existing IRS procedures missed. A crucial element in the system was computerization of the storage and retrieval of general intelligence. The computer, it was thought, would make it possible to retrieve masses of data by category—e.g., by subject name, by illegal activity category—and would thus make gathering vast quantities of general intelligence fruitful.

Within a year of the formal establishment of IGRS, the system came under fire in the press as an alleged secret IRS "hit list" and an index of dossiers on the personal lives of Americans containing data unrelated to tax law enforcement. Allegations linked the system to the so-called Nixon Enemies List. It was alleged IGRS was part of a vast Federal data bank to which other agencies, such as the FBI, had unlimited access. The Committee has investigated these allegations in the course of studying the origins, purpose and operation of IGRS.

IGRS fell short of its goals of enhanced case development and improved intelligence retrievability. In general, more "intelligence," most of it of little or no value, was input into IGRS than the computer could effectively retrieve. In a number of districts, IGRS fostered unrestrained, unfocused intelligence gathering and permitted targeting of groups for intelligence collection on bases having little relationship to enforcement of the tax laws. While there were no "dossiers" of personal information (with the possible exception of Operation Leprechaun) in the districts the Committee investigated, there were the beginnings of politically motivated intelligence collection in at least one district; and evidence that the fruits of similar investigative efforts in two districts had been destroyed. The lack of adequate control on the system resulted in the ultimate inclusion of 465,442 names on the IGRS index. IRS traditional reliance on agent discretion combined with this new, broad intelligence collection effort to produce a dangerous machine which, had it continued unchecked for a long period, could in some districts have approached the monster some newspaper accounts described.

In St. Louis, the staff discovered a folder denominated "Militants" and a second folder denominated "Subversives" in the intelligence files. The "Militants" file had been checked out to the Chief (Intelligence) in January 22, 1975. The Chief stated that at some time during December or January he ordered the file destroyed because he believed it was inappropriate for it to be in the intelligence files as it had no bearing on tax matters.<sup>173</sup> The "Subversives" file contained only material on the Church of Scientology. No employee of the Intelligence Division could recall that it had ever contained any other material.<sup>174</sup>

3. *Overbreadth.*—Reports on the IGRS have suggested that the presence on the subject index in certain districts of many names of reputable citizens indicates that the IRS was unjustifiably spying on such people and seeking to develop tax cases against them or other discrediting information about them. However, a thorough review of the IGRS files in six districts disclosed no evidence that any of the Intelligence Divisions employed their Intelligence Gathering Unit for this purpose.

Few IGR Units adequately screened the documents which they placed on the index. Virtually none of the Units screened those documents it selected to eliminate insignificant names. The result can best be demonstrated by an example. If the Special Agent screening documents selected for inclusion a newspaper article which mentioned that a known racketeer was investing money in a restaurant, alluded to the former owners, and contained interviews with several patrons, the IGRS index would contain a numbered reference to that document under the name of each of the persons mentioned in the article, including the randomly interviewed patrons and the former owners. This collection of useless data resulted from the use of clerks to prepare the input cards who were not permitted to exercise any judgment about which names in a document were important, and therefore included them all. In effect, the function of evaluators was being bypassed. The name J. Edgar Hoover appears in many IGRS indices because he often made statements on subjects dealing with organized crime. Newspaper articles reporting his statements were often filed in IGRS. The name Internal Revenue Service often appeared on the indices, as did the names of the present and most former Commissioners of Internal Revenue.

The presence of a name on the IGRS index therefore did not mean that individual had been selected by the IRS as a subject of intelligence gathering. It meant the individual was mentioned in some document which an agent had selected for filing in IGRS. Further, none of the districts investigated had complied with manual provision providing for the review and purging of unnecessary names and information from IGRS.<sup>175</sup> The wholesale inclusion of names in the system, coupled with the failure to screen material adequately at the inception of IGRS and the failure to purge the files pursuant to standing instructions explains why the nationwide total of IGRS "subjects" is 465,442.

retrospective review and revision of guidelines rather than upon day-to-day direction of operations.

<sup>173</sup> Statement of Chief, Intelligence Division, St. Louis District, 8/6/75.

<sup>174</sup> Staff observations of district intelligence operations.

<sup>175</sup> Staff observations of district intelligence operations.