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IRS Has Broad Discretion to Refuse To Release Tax Data, High Court Rules

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WASHINGTON — The Supreme Court ruled that the Internal Revenue Service has broad discretion to refuse to release tax records requested by taxpayers, even when deleting names or other identifying features would preserve confidentiality.

In a 6-0 ruling, the court rejected arguments by the Church of Scientology, which sought access to tax records pertaining to the organization and its founder.

Federal law requires that the IRS keep confidential all tax returns and "return information," including itemized details from returns or data about audits or penalties. The case involves interpretation of a 1976 amendment to the laws, which said the definition of "return information" excludes "data in a form which cannot be associated with, or otherwise identify, directly or indirectly, a particular taxpayer."

The Church of Scientology argued, and some appeals courts have agreed in other cases, that the amendment means the IRS must simply delete names and other identification from documents and then release them.

But, the IRS argued that even documents from which names have been deleted are confidential. The IRS does release summary information, although it believes it isn't required to.

In an opinion written by Chief Justice William Rehnquist, the first full opinion of the court term, the high court sided with the IRS, affirming a decision by the federal appeals court in Washington, D.C.

The high court ruled that the intent of the 1976 amendment wasn't to force the IRS to go to the trouble of deleting identification from thousands of records so that those documents could be released. The court said nothing in the record of the congressional debate suggests that Congress wanted individual taxpayer information released, even after deletions.

The effect of the ruling is to give the IRS a strong defense to requests by tax-

payers for information under the Freedom of Information Act. Some consumer and civil liberties groups warned before the ruling that the IRS's approach gives it "a virtually impenetrable wall around all information that can be gleaned from tax returns."

Summary IRS information is used by scholars or tax-enforcement monitoring groups to study patterns of IRS activity or to analyze enforcement policies.

Justice Antonin Scalia didn't participate in the decision because he wrote the appeals court ruling. Justice William Brennan also didn't participate, and no explanation was given.