

New York empowers tax fraud whistleblowers

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Since 2007, the State of New York has allowed whistleblowers to use the state's False Claims Act to sue on behalf of the state, in what is known as a *qui tam* suit, when they identify Medicaid fraud or contractors who have overbilled the state for goods and services. This month, Governor David A. Paterson signed a bill into law which empowers whistleblowers further by expanding the 2007 law to allow whistleblowers to help the state recover of tax revenue from wealthy individuals committing tax fraud. Provided that they have an income of at least \$1,000,000 and that the unpaid state taxes exceed \$350,000, if the defendant is found guilty of tax fraud, they must pay triple damages and can also owe civil penalties up to \$12,000 for each false statement.

David J. Marshall, a partner with [Katz, Marshall & Banks, LLP](#) who represents whistleblowers in *qui tam* lawsuits and in the IRS whistleblower program, said that the new law provides a powerful weapon against tax fraud in New York. "In an economic downturn when state governments are seeing a shrinking tax base," Marshall said, "extending state *qui tam* laws to tax fraud makes perfect sense. The new law can have a real impact on New York's ability to collect unpaid taxes from wealthy taxpayers and continue funding public programs."