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The Justice Department won't return seized cash to hundreds of taxpayers. Now House Republicans are stepping in.

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by [Christopher Ingraham](#) July 19 [Email the author](#)

Twenty-one Republicans on the House Ways and Means Committee have penned a [letter](#) to Attorney General Jeff Sessions to demand the Justice Department return millions in seized funds to several hundred U.S. taxpayers.

The money had been seized by the Internal Revenue Service in prior years under suspicion of structuring, an obscure provision in the federal code preventing repeated bank deposits of less than \$10,000 for the purpose of evading federal reporting requirements. Ostensibly, the purpose of the law is to make it harder for individuals to launder money obtained through crimes like drug trafficking. But a [2017 report by the Treasury's Inspector General](#) analyzed 278 of these cases and found that, in 91 percent of them, the people who had had their money seized had obtained the funds legally.

In part due to public outrage, in late 2014 the IRS announced that it would [no longer pursue forfeiture cases when structuring was the primary offense](#). Earlier this year, [the IRS told the House Ways and Means Committee](#) that it had received 464 petitions for relief from people who had previously had their cash seized under suspicion of structuring. The cases in question are a small subset of the [billions of dollars seized and forfeited annually](#) by state and federal authorities.

The IRS reviewed 208 of those petitions and granted 84 percent of them. It referred the remaining 256 cases to the Department of Justice because of how the forfeitures had initially been processed, recommending that the DOJ grant 76 percent of them.

However, today's letter alleges that the DOJ largely ignored the IRS' recommendations and granted only 16 percent of the petitions it received, refusing to return over \$22 million in seized funds.

“The Members of this Committee are profoundly troubled by the significant discrepancy between the IRS’s recommended outcomes and DOJ’s final decisions,” the letter states. “What was done was not fair, just or right in most cases. The IRS’s actions led to the destruction of many lives and small businesses, some of which will never fully recover.”

One case generating national attention was that of Lyndon McLellan, a convenience store owner in North Carolina who [had his entire life savings of over \\$100,000 seized](#) by the IRS solely because of how he deposited money in his bank account. He was never charged with any crime. After McLellan’s case went public, a U.S. attorney offered to settle by returning half of the money. McLellan refused, and with pro-bono legal representation from the Institute for Justice [he eventually got all of his money back](#).

The letter praises the IRS for recognizing past “mistakes” such as the McLellan case and for “taking appropriate steps well beyond what was legally required to provide relief to taxpayers whose funds were seized.” But the lawmakers have [accused the Department of Justice](#) of being “unwilling to admit faults” on the issue. “DOJ time and time again has affirmed a position that the Committee believes is wholly indefensible.”

At a hearing in June, for instance, Acting Assistant Attorney General John Cronan [testified](#) that petitions for relief were denied due to various reasons, including “evidence that the petitioners were convicted in criminal cases; committed other crimes, including money laundering, fraud, tax, and drug crimes; continued to violate the structuring laws even after the forfeitures; and evaded other financial reporting requirements.”

However, Committee members [did not find those arguments convincing](#), noting that some of the “convictions” involved defendants pleading guilty to structuring in the hopes of getting their money back.

“Individuals were often not made fully aware of their rights during these seizures,” the letter states. “They felt pressured, scared, and alone. And most importantly, many were simply trying to salvage what little they could through whatever means necessary. Those circumstances led law-abiding individuals to take actions or make statements that the DOJ may feel gives it the right to deny those petitions.”

Attorney General Jeff Sessions has been an [outspoken proponent of civil asset forfeiture](#), calling it “a key tool that helps law enforcement defund organized crime, take back ill-gotten gains, and prevent new crimes from being committed, and it weakens the criminals and the cartels. But reformers worry the practice is an invitation to abuse because it allows authorities to seize property from individuals never convicted or even charged with a crime.

Nevertheless, it remains widespread: according to data analyzed by the Institute for Justice, in 2017 alone the Justice and Treasury departments deposited nearly \$4.2 billion dollars in forfeited funds into federal accounts.



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