



FOR IMMEDIATE RELEASE

Media Inquiries: [Judy Pino](#), 202-869-5218

NCLA Stands up for Bitcoin Investors in Suit Against IRS for Unlawful Seizure of Private Financial Data

James Harper v. Charles P. Rettig, et al.

Washington, DC (July 15, 2020) – This Tax Day, New Hampshire resident James Harper filed a [lawsuit](#) against the Internal Revenue Service (IRS) along with his tax return. The New Civil Liberties Alliance, a nonpartisan, nonprofit civil rights group, represents Mr. Harper in *James Harper v. Charles P. Rettig, et al.* before the United States District Court for the District of New Hampshire. Mr. Harper’s “crime”? Holding a bitcoin wallet. The lawsuit argues that the IRS has acquired the unbridled power to demand *and seize* Americans’ private financial information from third parties without *any* judicial process in defiance of the Fourth and Fifth Amendments and statutory protections.

Mr. Harper bought his first bitcoin in 2013, and ever since then, he diligently paid all applicable taxes and reported his trades related to bitcoin holdings. Throughout these years, all his transactions were facilitated through three digital virtual currency exchanges: Coinbase, Abra, and Uphold. Given that all of them had contractually promised Mr. Harper to protect his private information, he was genuinely surprised when on August 9, 2019, he received a letter from IRS informing him that the agency had obtained his financial records related to ownership of bitcoin without any particularized suspicion of wrongdoing. Mr. Harper is one of 10,000 virtual currency owners who received such a [letter](#), according to the IRS website.

The IRS somehow obtained Mr. Harper’s records without a valid subpoena, court order, or judicial warrant based on probable cause. The Fourth Amendment to the U.S. Constitution protects “the right of the people to be secure in their ... papers ... against unreasonable searches and seizures.” In this case, the IRS violated the Fourth Amendment by issuing an informal demand for Mr. Harper’s financial records from a third party even though it lacked any particularized suspicion that he had violated any law.

The complaint also says that the IRS violated the Due Process Clause of the Fifth Amendment by seizing Mr. Harper’s private financial information from the third-party virtual currency exchange(s) without first providing him with notice and an opportunity to challenge the seizure of his property. From the very beginning, the IRS acted in violation of the statute of special procedures by third-party summonses by failing to notify Mr. Harper of the summons and making a gross, baseless, and arbitrary judgment that he may not comply with IRS tax obligations. This case presents the opportunity to correct the course of constitutional privacy law.

NCLA released the following statements:

“The expectation is that when you enter into an agreement with a third party, the third-party and the government will respect contractual rights. But the law in this case has departed from cherished Constitutional principles and the fundamental understanding that prohibited peeking into a person’s private papers without the use of a judicially-approved subpoena. Not only did the IRS demand *and* seize Mr. Harper’s information, but it is unlawfully holding on to that data without *any* judicial process. NCLA is going to right this wrong.”

— **Caleb Kruckenberg, Litigation Counsel, NCLA**

“The Internal Revenue Service is notorious for treating law-abiding taxpayers as guilty until proven innocent. IRS is hiding behind cryptic, unexplained reasons for using its formidable machinery against Mr. Harper. Thankfully, the Constitution is not so obscure. The Fourth and Fifth Amendments require IRS to demonstrate that the agency followed lawful procedures before attempting to audit Mr. Harper’s cryptocurrency transactions.”

— **Adi Dynar, Litigation Counsel, NCLA**

ABOUT NCLA

[NCLA](#) is a nonpartisan, nonprofit civil rights group founded by prominent legal scholar [Philip Hamburger](#) to protect constitutional freedoms from violations by the Administrative State. NCLA’s public-interest litigation and other pro bono advocacy strive to tame the unlawful power of state and federal agencies and to foster a new civil liberties movement that will help restore Americans’ fundamental rights.

###