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IRS Mulls Over Requiring Banks to Divulge Data

In their efforts to combat tax evasion, the IRS is mulling over two proposals. The first is to get US Banks to disclose the details of their foreign customers (non-US citizens) and the second is to get foreign banks in the US to disclose details of their US customers. Senator Carl Levin (D-Michigan) is urging the IRS to impose such information sharing requirements on the banks. At present, a similar proposal has been imposed on foreign institutions.

Elsie Bean, who is the chairman of the Senate Permanent Subcommittee on Investigations, spoke on behalf of Levin when she said the proposed requirement on foreign banks would prevent the US from becoming a tax haven. Bean, staff director of the subcommittee, said it is fair to require all US banks to identify their foreign customers if overseas institutions might be required to disclose information about their US depositors.

Bean added, "The United States and the IRS are going to have to get cooperation from foreign tax authorities. To get that cooperation, we need to give cooperation as well."

However, the proposal that obligates foreign banks to disclose US citizens' details was opposed by some foreign banks namely Canada's Toronto-Dominion Bank (TD), Allianz SE (ALV) of Germany and Aegon NV (AGN) of the Netherlands.

When the IRS will implement either or both proposals is anyone's guess. The obviously easier one to implement would be the one requiring US banks to declare foreigners' accounts. Some analysts say this measure, which involves reporting details of non-US bank accounts that earn more than \$10 in a calendar year, could be implemented as early as Jan 1, 2012.

The IRS and Treasury Department met with representatives from banks, non-profits and regulators recently to discuss this matter. Banking representatives told the IRS it would cause their depositors to send their money to institutions in countries that won't report their identities to the IRS.

Florida's Office of Financial Regulation Commissioner Tom Cardwell said these proposals precipitate some security and soundness concerns for banks in Florida. The President of the Florida Bankers Association, Alex Sanchez said often foreign depositors put their money into US banks to avoid political persecution in their home countries. Some are concerned over possible kidnappings at home.

But Elsie Bean dismisses such fears as 'misplaced'. She said, "We have never heard of a case – ever – where a dissident has had their tax information turned over to a government that is oppressing them. We have very careful procedures and policies to prevent that from happening."