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IRS Targets More Offshore Tax Cheats

Arising from the IRS' successful effort to collect taxes from overseas bank accounts, in particular those held in Swiss bank UBS AG, the agency is now mulling replicating the steps taken with other overseas banks and financial centers. In the long drawn affair with UBS, the IRS managed to collect taxes on about \$20 billion stashed in thousands of bank accounts that earned UBS \$200 million a year.

Now the IRS is targeting other countries beyond Switzerland. At the same time, according to IRS Commissioner Doug Shulman, the agency is mulling having another amnesty period similar to the last one that ended in October 2009. This amnesty period will allow American taxpayers who have not been declaring their offshore assets to voluntarily step forward to declare them in exchange for a dismissal of criminal prosecution by the IRS. The IRS estimates that there are 2 million Americans with undeclared overseas bank accounts resulting in \$100 billion a year in unpaid tax revenue to the US Treasury.

But the IRS' intentions to go after other banks have met with skepticism from some industry experts due to lack of concrete follow-through actions. Despite the press coverage over the last 8 months or so, there has been a

distinct lack of results. Even the proposed new amnesty period might not do the trick. To be fair to the 15,000 taxpayers who participated in the 2009 amnesty program, the IRS intends to impose harsher penalties on those who participate in the next one. In the earlier amnesty, those who declared their assets had to pay their back taxes, interests and penalties of 20% of the past due tax plus 20% of the highest balance in the offshore bank account in the last six years.

In the next amnesty, the rates would likely be increased. But will that bring in a deluge of taxpayers? That remains to be seen. Tax experts agree that unless their offshore banks are specifically targeted like UBS was, they would not likely come forward due to the harsh penalties. On the contrary, these taxpayers might very well hide their overseas assets further away in hard-to-reach countries like Hong Kong or Singapore.

The fact is that over the years there has been a deterioration of the moral, ethical and legal values that have brought about this malaise and cost the country billions in lost tax revenue. UBS was just the tip of the iceberg.