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Beware Global IRS Reach -- And Very Long Memory

Does the IRS forgive or forget? Rarely, and when it comes to offshore accounts, even more seldom. The IRS quest for offshore accounts—some call it a Jihad—is hardly new. Armed with John Doe Summonses and other aggressive tactics, the feds fired a shot heard round the world that ended up striking Swiss bank secrecy in the head.

In 2009, the feds brought UBS to its knees with a deferred prosecution agreement and \$780M fine. To this day, it was an unprecedented feat, and the IRS and DOJ haven't missed a beat since. With around 120 prosecutions and nearly 40,000 Americans stepping forward to pay taxes, penalties, and interest, the IRS has collected billions and isn't done yet.

The IRS believes there are still many Americans who haven't come clean. Even worse than American scofflaws are those who enable them, claim prosecutors. Did the feds forget about former UBS banker Raoul Weil, who was indicted back in 2008 for allegedly helping rich U.S. clients hide billions? Not hardly.



(Photo credit: Wikipedia)

Mr. Weil was just arrested in Italy, courtesy of Interpol. The U.S. plans to extradite him. The indictment claims that between 2002 and 2007, Mr. Weil's UBS unit helped 20,000 U.S. clients conceal approximately \$20 billion in assets from the IRS.

The IRS has indicted and prosecuted other foreign bankers and advisers, sending a chill through advisers everywhere. The names and addresses prosecutors are getting from the accused are being added to the mountains of information collected from voluntary disclosures, whistleblowers and soon FATCA, the granddaddy of disclosure laws. FATCA is a pervasive U.S. law that makes foreign banks and financial institutions everywhere report on Americans. It is now unfurling to impact global banks and depositors in 2014.

In Switzerland, hundreds of banks are expected to partake in the new [program](#) to disclose undeclared American accounts and pay penalties. The 14 banks already under investigation are not eligible. See [Signed Joint Statement and Program](#). Additional banks may go under, including Bank Frey which just announced it would close.

Some bankers will face personal exposure, and that can make them cooperate. [Renzo Gadola](#), a [UBS](#) banker from 1995 to 2008, got five years' probation after turning over names of fellow bankers enabling Americans. Another was [Christos Bagios](#) of Credit Suisse, formerly with UBS. Mr. Bagios was accused of helping U.S. clients hide as much as \$500 million from the IRS while at UBS.

With all of this, is **any** offshore income, account or trust still secret? The only safe assumption is no. Already many countries—soon virtually all—will have broad disclosure policies. See [Offshore Accounts: No Place to Hide?](#) Count Switzerland, the Caymans, Jersey, France, Germany, Italy, Spain, the U.K., Guernsey, Gibraltar and the British Virgin Islands, etc. Nearly 30 more nations are expected, including eventually such unlikely prospects as China. It has become a kind of global landslide.

Even law-abiding U.S. citizens abroad are worried. The State Department estimates there are 7.2 million U.S. citizens abroad. It is safe to assume that most have non-U.S. bank accounts. The fact that only 825,000 FBARs were filed for 2012 suggests that this group too is under-complying.

The world may never be the same. What is the biggest lesson of Mr. Weil's 2013 arrest in Italy on a 2008 tax indictment? The long reach and long

memory of the federal government, **especially** when it comes to offshore accounts. Plainly, it isn't over yet.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.