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IRS to Give Offshore Tax Cases 'Priority Treatment'

Internal documents reveal IRS has made offshore tax evasion its highest-priority target; investigators will focus on unreported income

The memo sent to examination staff of the Internal Revenue Service was clear.

Investigators should make sure offshore tax cases "receive priority treatment."

Indeed, internal documents released by the tax-collecting agency, coupled with public comments from IRS Commissioner Doug Shulman, leave little doubt the government will focus the brunt of its enforcement efforts on taxpayers who use offshore bank accounts to hide income.

In anticipation of this newly aggressive tax enforcement, the IRS is offering temporary amnesty to those taxpayers hiding money overseas. Taxpayers who come forward will face fines, penalties and interests — but the IRS will waive all criminal charges, Shulman announced recently.

"This is a chance for people to come clean on their own," said the IRS commissioner. The rank-and-file investigators of the IRS, meanwhile, have received memos pushing them toward investigating more thoroughly taxpayers who use offshore bank accounts.

"Offshore cases sent to the field are work of the highest priority," said an IRS internal documents. "Examiners should utilize the full range of information gathering tools in properly developing offshore issues with special emphasis on detecting unreported income. This includes interviewing taxpayers, making third-party contacts and timely issuing summonses to taxpayers and third parties."

The emphasis on offshore accounts comes at an opportune time for the IRS. For the first time, U.S. officials have successfully pierced the secrecy veil of banks in Switzerland, where many wealthy Americans hide money.

Earlier this year, Switzerland agreed to cooperate more on tax evasion cases due to an IRS investigation and lawsuit concerning UBS.

UBS, the largest bank in Switzerland, has agreed to provide the U.S. government with the names of those it suspects of using its accounts to evade paying taxes in the United States. The agreement came after UBS agreed to pay \$780 million to settle an investigation of its activities.

From 2002 to 2007, UBS helped American clients evade as much as \$300 million a year in taxes, prosecutors allege.

Those using Swiss banks to evade income taxes aren't the only ones who risk being caught by the IRS, however.

Earlier agreements with credit cards companies have given the IRS unprecedented information about taxpayers who use a credit card linked to offshore accounts, such as in the Caribbean. A common tactic for tax cheats has been to funnel money to an overseas account, link the account to a credit card, and then pay all expenses in the United States using that credit card.

Now that Swiss banks are cooperating and credit card companies are providing records, there's no safe place to hide your money. It's time to come forward.

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