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6345 Balboa Blvd., Bldg. IV, Suite 285 Encino, CA 91316

1-(866) IRS-PROBLEMS or (818) 774-1813 / www.taxresolution.com

No Surprise: U.S. Wins Records Battle With Swiss

The end is near for U.S. taxpayers who are using the world's most famous tax haven to shield assets and avoid paying Uncle Sam his due

In one of the latest — and among the highest stakes — battles for the U.S. government in its war on tax cheats, the Internal Revenue Service won an agreement that will give it an unprecedented amount of information on account holders at Swiss bank UBS.

Under the agreement, the IRS will submit a treaty request to the Swiss government describing the accounts for which it is requesting information. The Swiss government will then direct UBS to initiate procedures to turn over information on as many as 4,500 accounts to the IRS.

The IRS will receive information on accounts of various amounts and types, including bank-only accounts, custody accounts in which securities or other investment assets were held and offshore company nominee accounts through which an individual indirectly held beneficial ownership in the accounts.

The agreement is a huge blow to the Swiss economy, which has long depended on its financial services industries and bank secrecy laws.

For the U.S. government, the agreement creates one of the hottest tip sheets in the tax-compliance game.

"We're finding out about financial institutions that facilitated tax evasion and we're going to pursue them," IRS Commissioner Michael Schulman said in an interview with Bloomberg Television. "We're finding out about other intermediaries, like law firms and others who promoted tax evasion."

Information provided to the IRS from the Swiss will be examined for all potential civil and criminal tax violations. The IRS will assess any additional tax, interest and a number of applicable penalties.

This includes the penalty for the willful failure to file a report of Foreign Bank and Financial Accounts (FBAR). This penalty can be up to 50 percent of the value of the account for each year an FBAR was not filed.

The U.S. agreement with the Swiss government follows an admission by UBS that it aided Americans in evading taxes. In fact, two UBS bankers and four U.S. clients were prosecuted after UBS banker-turned-whistleblower Bradley Birkenfeld, 44, helped investigators probe \$20 billion in taxpayer assets hidden overseas.

In many ways, the U.S.-Swiss agreement to disclose information on UBS accountholders is a symbolic victory, since the Swiss banking veil was largely considered impenetrable. The IRS has demonstrated that isn't true, and in doing so, the tax-collecting agency shows that no tax haven in the world is completely safe.

In fact, U.S. tax cheats are finding fewer and fewer places to hide. Recently, the IRS won agreements with U.S. credit card companies that disclosed to the government card members whose accounts were linked to overseas bank accounts — a formerly common tax evasion tactic.

Whatever tax avoidance or evasion scheme you're considering, you may want to rethink picking a fight with the heavyweight IRS.

Michael Rozbruch is a Certified Tax Resolution Specialist, a member of the American Society of IRS Problem Solvers and a Maryland CPA. You can contact him at 866-477-7762 to obtain a free subscription to his newsletter titled The IRS Times & Inquirer.