



TRS Newspaper

Tax Resolution Services, Co., Est. 1997

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Amnesty Is Almost Over for Those Hiding Money Overseas

Expect indictments and harsh prison sentences as the IRS goes after U.S. taxpayers who have been hiding money in Zurich

For the more than 4,450 U.S. taxpayers who have bank accounts in Switzerland and haven't told Uncle Sam, time's up.

In an unprecedented settlement with the Swiss government and Swiss bank UBS, the Department of Justice and Internal Revenue Service were promised information on accounts in the country held by Americans. The U.S. government suspects more than 4,450 U.S. taxpayers, nearly all of them wealthy, use UBS to shield money from taxes.

Anticipating access to a list of names and accounts, the U.S. government offered amnesty to those who might be on that list. The offer: come forward by Oct. 15 and you will not face criminal prosecution.

But the deadline has come and gone, and for those who decided to play the odds, the gamble does not appear to be a good one.

Among other things, the Swiss government announced in September that it would appoint at least five new judges in addition to 72 already sitting judges to review appeals related to the Swiss government's release of banking information. That means appeals are going to be expedited, giving the U.S. government access to the data in as timely a manner as the Swiss government can offer.

Steven Michael Rubinstein of Boca Raton, Fla., the first person to be charged as part of the U.S. government's scrutiny of UBS, pleaded guilty to filing a false tax return in 2004. He faces up to three years in prison.

Meanwhile, Robert Moran, of Lighthouse Point, Fla., another UBS client, pleaded guilty in April to tax fraud. Moran was the second person to be caught in the government's UBS investigation, and he also faces up to three years in prison.

Shortly after Moran pleaded guilty, U.S. Attorney Alex Acosta, who oversaw the prosecution, said in a statement: "If you are hiding income abroad, I suggest you approach us."

But it may be too late. Now that the government's Oct. 15 amnesty deadline has passed, U.S. taxpayers hiding behind the Swiss bank veil will receive little sympathy from the Department of Justice and IRS. In fact, for many of these U.S. taxpayers, they are likely to be facing years in federal prison for their actions.

As IRS Commissioner Doug Shulman said when he originally announced the UBS deal: "Once the Swiss government turns over names, all bets are off."

For several years now, the IRS has been in one of the most aggressive tax-enforcement phases of its history. As the slumping economy and a rising national deficit have put on more pressure, the IRS is becoming even more aggressive.

If you're cheating on your taxes, whether you have a UBS account or not, now would be a good time to make an appointment with a qualified tax professional.

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