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Tax Havens Cost U.S. $100 Billion a Year

Senate Report Cites 2 European Banks

By Bradley S. Klapper
Associated Press

GENEVA, July 16 — A U.S. Senate subcommittee accused banks in Switzerland and Liechtenstein of helping wealthy Americans evade billions in taxes each year, and urged tougher laws to combat offshore tax havens around the world.

In a report released late Wednesday, the Senate subcommittee on investigations estimated that offshore abuses were costing U.S. taxpayers about $100 billion a year.

It recommended reforms to squeeze tax cheats, including more stringent U.S. requirements for foreign banks and harsher penalties for institutions that fail to provide the Internal Revenue Service with details on accounts American clients hold.

"Tax havens are engaged in economic warfare against the United States and the honest, hardworking American taxpayer is losing," said Sen. Carl M. Levin (D-Mich.), chairman of the subcommittee on investigations. "Congress needs to enact strong penalties on tax haven banks that help U.S. taxpayers avoid paying taxes."

A Senate subcommittee hearing will be held Thursday.

The 109-page report took aim at Switzerland's UBS, arguably the world's largest wealth manager, and Liechtenstein's LGT group, owned by the principality's royal family.

The Swiss Finance Ministry and UBS declined to comment. The bank has said it is cooperating with Swiss and American investigations and will disclose records involving U.S. clients who might have broken tax laws. It has also banned its Swiss bankers from traveling to the United States.

[LGT said it "has always been and continues to be in compliance with pertinent laws and regulations," according to Bloomberg News. The committee examined isolated cases that "do not reflect the way LGT is generally doing business today," it said.]

A U.S. federal judge ruled earlier this month that the IRS could serve legal papers to UBS in an expanding investigation of U.S. taxpayers who may have used overseas accounts to hide assets.

The Justice Department requested the summons after former UBS private banker Bradley Birkenfeld, 43, pleaded guilty in a Florida federal court to defrauding the IRS. Birkenfeld, who is cooperating with investigators, said in court that UBS has about $20 billion in assets in undeclared accounts for U.S. taxpayers.

Prosecutors say Birkenfeld and others helped California billionaire Igor Olenicoff hide $200 million in assets overseas. Olenicoff, who controls a real estate empire, pleaded guilty last year to tax charges and agreed to pay the IRS more than $52 million.

U.S. taxpayers are required to report all foreign financial accounts if their value exceeds $10,000, prosecutors said. Failure to report the accounts can result in a penalty of as much as 50 percent of their amount.

The subcommittee report said, "UBS Swiss bankers targeted U.S. clients, traveled across the country in search of wealthy individuals and aggressively marketed their services to U.S. taxpayers who might otherwise never have opened Swiss accounts."

It said the bank's practices resulted in billions of dollars of U.S. taxpayer money in accounts not disclosed to the IRS.

Although UBS did not technically violate U.S. reporting requirements under the 2001 "qualified intermediary program," it actively assisted clients in structuring their Swiss accounts to avoid disclosure responsibilities with the IRS and thus aided tax evasion, the report said.

In Liechtenstein, the report said the royal family's LGT Group aided a "culture of secrecy and deception" that enabled clients to "evade U.S. taxes, dodge creditors and ignore court orders."

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