



UNITED STATES SENATE  
**BUDGET COMMITTEE**  
RANKING MEMBER CHUCK GRASSLEY

**Opening Statement by Senator Chuck Grassley of Iowa  
Ranking Member, Senate Budget Committee**

**“Sunny Places for Shady People: Offshore Tax Evasion by the Wealthy and Corporations”**

**Wednesday, April 10, 2024**

Mr. Chairman,

I appreciate your holding today’s hearing on offshore tax evasion and closing the tax gap. I have some experience in this area.

Talking about the tax gap, I remember how my late friend and former Finance Committee Chairman Orrin Hatch used to refer to the tax gap, calling it “the great white whale of deficit reduction.”

Endlessly pursued, but forever eluding capture.

No aspect of the tax gap has been examined more than that of offshore tax evasion.

Between 2001 and 2010, Senator Baucus and I partnered together in an effort to shut down the most egregious offshore tax evasion and avoidance abuses.

We enacted various pieces of legislation, held hearings, commissioned studies and even sent the Government Accountability Office (GAO) to the famous Ugland House in the Cayman Islands, the notorious registered office home of thousands of offshore business entities.

I’m proud of what we were able to accomplish. Shutting down egregious tax practices raised billions of dollars in additional revenues. But, not the hundreds of billions some claim are ripe for the picking.

The reality is there are no pots of gold that can be easily harvested off the beaches of far-flung tax havens.

Even so, we owe it to honest taxpayers everywhere to snuff out tax evasion where we can.

Those engaged in tax evasion aren’t only shortchanging the federal government, but stealing from the American taxpayers.

After all, it’s the law-abiding taxpayer who ends up footing the bill.

That’s why I’ve long championed reasonable policies intended to discourage evasion while providing tools to the IRS to detect tax cheats.

But a key word here is reasonable.

Whether it’s increased financial reporting or stepped-up enforcement efforts, anti-evasion measures must be balanced against taxpayer rights and the costs such measures impose on innocent taxpayers.

When it comes to catching tax cheats, I’ve found targeted approaches to be far preferable to broadly applicable ones that sweep up innocent taxpayers in far greater numbers than tax cheats.

One example of an overly broad sweep approach to offshore tax evasion is the Foreign Account Tax Compliance Act, or FAT-CA.

Enacted in 2010, FAT-CA imposed stringent requirements on foreign financial institutions to report to the U.S. Treasury on foreign assets held by their American account holders.

Democrats sold this law as the solution to wealthy tax cheats hiding assets in offshore bank accounts.

Yet, according to a 2022 Treasury Inspector General report, other than assessing \$14 million in penalties, the IRS hasn't been able to quantify any revenue raised under the law. That's despite spending \$574 million on implementation and enforcement campaigns.

At the same time, FAT-CA has imposed great costs on Americans living abroad, according to a 2019 GAO report.

Due to the law, many Americans living overseas have seen their bank accounts closed or have been unable to open an account.

For many foreign financial institutions, the business of Americans living abroad simply isn't worth the additional burdens and cost of complying with the law.

Compare this with the IRS Whistleblower law I authored in 2006, which has brought in over \$6 billion to the Treasury. Under this law, a single whistleblower took down an offshore banking scheme that resulted in the Swiss bank UBS paying a \$750 million fine.

In addition, thousands of illicit overseas accounts were closed and offending taxpayers prosecuted.

Whether it's offshore banking schemes, a tangled web of shell companies, or illicit transactions by shady multi-national companies, a single whistleblower can bring the whole house of cards crashing down. And at less cost and with fewer burdens on innocent taxpayers.

Finally, we shouldn't discount the value of good tax policy itself in shrinking evasion and avoidance.

The Tax Cuts and Jobs Act combined anti-base erosion and profit shifting measures with a cut to the corporate tax rate.

Since its enactment, we have seen intellectual property previously held offshore for tax reasons return to the U.S. Moreover, the act of companies moving their headquarters offshore to avoid U.S. tax has ceased.

Combating tax evasion is something we have an obligation to do. But we need to be realistic about who our policies will affect and how much revenue we actually stand to gain.

Enacting bad policies that increase tax complexity and threaten the international competitiveness of U.S. companies would only make matters worse.

Thank you.

