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**BAUCUS TACKLES TAX EVASION IN HEARING
ON CAYMAN ISLANDS' UGLAND HOUSE**

Finance Chairman announces legislation to address \$345 billion tax gap

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today pushed a panel of witnesses on the findings of a Government Accountability Office (GAO) investigation of the Ugland House, a tax haven in the Cayman Islands that has nearly 19,000 registered tenants, approximately half of which are American. Baucus asked if one solution might be to require financial firms to file information reports to the IRS when they facilitate transfers of client funds offshore, as a method of enabling the IRS to better track tax evaders by matching that report with filed returns. Jack Blum, Counsel at Baker & Hostetler, concurred with the Senator.

“This is about finding out whether folks are paying the taxes they legally owe, or whether they’re seeking to run around U.S. tax laws. Our duty is to help the IRS do its job and part of that job is tracking and prosecuting individuals and entities that evade taxes. I will not condone U.S. taxpayers who knowingly and illegally avoid paying their fair share by storing money offshore. It burdens honest taxpayers and threatens the entire tax system,” said Baucus. **“I think requiring individuals and companies to be more forthcoming about their offshore holdings in places like the Caymans will go a long way. It’s clear from today’s testimony that we have an opportunity – indeed a duty – to find legislative solutions to pressure the IRS and better enable them to collect on the nearly \$345 billion annually of legally-owed but unpaid taxes.”**

Chairman Baucus also sought input on six legislative recommendations, including modifying the rules for the Foreign Bank Account Report (FBAR), which facilitates information collection by the IRS. The proposals would reinforce the role of the IRS in levying penalties against individuals who fail to file an FBAR, increase the statute of limitations for FBAR violations, require that FBARs be filed with tax returns, and strengthen rules on the disclosure of the identity of individuals who make money from offshore financial transactions. Witnesses agreed that the proposals would make strides in beginning to solve the problem of offshore tax evasion.

Other recommendations from the witnesses included revising current IRS Form W-8 procedures – which allow US taxpayers to hide behind foreign shell corporations to protect individual identities – to require foreign companies to prove they are an active trade or business.

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