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UBS Delivers Names IRS Drops Suit

In its long-running feud with UBS, the IRS has recently dropped its legal suit against the Swiss bank after receiving names and account details of wealthy American UBS customers suspected of evading taxes. The IRS may have another voluntary disclosure program in which taxpayers holding UBS accounts who have been dodging taxes are given the opportunity to declare their assets and pay their taxes and penalties in exchange for immunity from prosecution.

The first time a voluntary disclosure program was launched (that ended October 15, 2009), about 15,000 taxpayers owned up about their offshore accounts. However, less than 10% of these 15,000 cases have been resolved. The IRS has been playing cat and mouse since 2008 and with this most recent disclosure by the Swiss government, IRS Commissioner Doug Shulman declared that the 'first chapter' of the IRS quest to end bank secrecy and find US taxpayers with concealed offshore accounts has been closed.

However, Shulman also said the IRS has identified other overseas banks it suspects of holding undeclared assets of American taxpayers although he declined to name the banks concerned.

Some tax attorneys have stated their clients have received letters from the Justice Department pertaining to their accounts with HSBC. Some other banks in Israel have also reported feeling some pressure from the IRS.

After the first amnesty period ended, more than 3,000 taxpayers have since stepped forward to declare their assets even though they did not know the amount of penalty they would incur.

The IRS said the Swiss government's handover of data and the amnesty periods have resulted in more than 18,000 taxpayers making current their tax obligations. The average amount collected in taxes, interests and penalties is \$200,000 per taxpayer.

According to Shulman, the final total of names revealed by the Swiss government and those who voluntarily stepped forward will be more than 7,500. Tax lawyers are of the opinion that the IRS has received information on a substantial number of UBS customers with hidden accounts because many of them are legal.

Tax attorneys welcomed the possibility of another amnesty period by the IRS, believing that even more will come forward if they know what the penalties are. The penalties in total could come up to 50% of the amount in the account in taxes, interests and penalties non including legal fees. At times, the total liability could reach more than 100%.