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Florida Congressmen Oppose IRS Plan

The IRS intends to compel American banks to disclose details of accounts held by foreigners. This has prompted all 27 Floridian members of Congress from both sides of the political divide to unanimously oppose the proposed move. They say such a regulation may result in massive capital flight from the state. Almost \$1 out of every \$4 in Florida banks belongs to foreigners. In total, this amounts to a substantial \$100 billion that may be pulled out of US banks in Florida if the IRS regulation comes into effect.

Florida Bankers Association President Alex Sanchez estimated Florida banks hold \$60 billion to \$100 billion in foreign deposits, out of total deposits of about \$412 billion.

In a letter signed by all 25 Florida members of the House, "It [the IRS rule] will put Americans out of work and it will force dollars out of US financial institutions and into foreign financial institutions." One of the most vocal opponents of the proposed IRS move is US Rep Bill Posey. He and other opponents see no benefit in the move and want the status quo to be maintained. At present, foreigners are allowed to deposit money into US banks without declaring their identities or paying taxes on interest.

Rep Posey and Senator Marco Rubio (R-Fla) have filed bills aimed at blocking the proposed regulation by the IRS.

But the IRS says that the proposed regulation is aimed at preventing the US from being used as a tax haven much like other countries like Switzerland. The US has been at odds with the Swiss government over the issue of wealthy Americans who allegedly use their Swiss bank accounts to hide taxable income and evade taxes. The Swiss bank UBS was fined \$780 million two years ago and compelled to reveal banking information of over 4,000 of their US clients suspected of tax evasion.

But proponents of the move say that if there is no regulation to govern deposits by foreigners, ultimately the only losers will be the banks themselves as more countries clamp down on tax evasion by their citizens in foreign countries.

"Only people who are really cheating — those are the only ones who would lose their money," said Rebecca Wilkins of Citizens for Tax Justice.

The IRS may finalize the rule at any time although no time frame has been set.

The Treasury supports the IRS regulation and added that information about foreign funds in US banks could be used in exchange with other countries for information on US funds in those countries that cost the government as much as \$100 billion in unpaid taxes every year.

Michael Mundaca, a former official from the Treasury Department said, "A jurisdiction's willingness to share information with the United States to combat offshore tax evasion depends on our willingness and ability to reciprocate and exchange information."

In response, Rep Posey and other opposers say that the gain in taxes could be dwarfed by the loss of foreign funds especially from states like Florida that have close ties with Latin American and South American countries.

Sanchez commented, "They (foreign deposits) are scattered across the state but mostly centered in Miami, South Florida and Central Florida," adding that loss of these deposits could be disastrous to these banks as "the percentages of (foreign deposits) in some of our banks is up to 40 (percent) to 50 (percent)."

But the amount of money that would be withdrawn from the country in the event of the enforcement of the IRS regulations cannot be accurately known.

The Treasury believes the amount withdrawn would not be much.