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Liechtenstein Bank Pays \$23.8M To IRS For Helping Americans Evade Taxes

The Department of Justice (DOJ), IRS and U.S. Attorney have announced another huge victory in their all-out war on tax evasion. Liechtensteinische Landesbank AG—LLB for short—will pay \$23.8M to the feds but avoid prosecution. See [LLB Non-Prosecution Agreement](#). According to the deal, LLB won't face prosecution for a 10 year stretch of keeping secret accounts for U.S. taxpayers from 2001 through 2011. See [DOJ Press Release](#).



During that decade, LLB helped Americans cheat the IRS and hide assets, the deal says. But the deal reveals that LLB changed its tune in 2008. It started cooperating with the feds, stemming the tide of accounts and eventually helping to hand over account holders. The bank even helped change Liechtenstein secrecy law.

The deal requires LLB to forfeit the revenue it earned—a total of \$16,316,000—and pay \$7,525,542 in restitution. LLB won't contest a civil forfeiture action

filed on July 30, 2013 in the Southern District of New York. That case has been assigned to U.S. District Judge Katherine P. Failla. See [LLB Forfeiture Complaint](#).

Assistant Attorney General Kathryn Keneally stated “this non-prosecution agreement addresses the past wrongful conduct of LLB-Vaduz in allowing U.S. taxpayers to evade their legal obligations through the use of undisclosed Liechtenstein bank accounts, while also acknowledging the extraordinary efforts of the bank in bringing about significant changes in Liechtenstein law. As a result of new Liechtenstein legislation, U.S. taxpayers who thought that they had obtained the benefit of Liechtenstein’s tax secrecy laws have learned that their bank files were turned over on the request of the Department of Justice.” See [Manhattan U.S. Attorney Announces Agreement With Liechtenstein Bank To Pay \\$23.8 Million To Resolve Criminal Tax Investigation](#).

Way back in 2008, LLB voluntarily implemented a series of remedial measures to stop assisting undeclared U.S. taxpayers in evading U.S. taxes. The bank was also a key mover in getting Liechtenstein law changed so DOJ could get files on U.S. customers from Liechtenstein without having to identify them by name. Liechtenstein handed over the files of more than 200 U.S. account holders, some direct, some through sham corporations, foundations or trusts.

The feds are also pursuing Liechtenstein firms that provided trust administration and fiduciary services enabling U.S. taxpayers to hold undeclared accounts through structures at banks in Liechtenstein, Switzerland and beyond. The deal covers only the parent (LLB), not subsidiaries or individuals. The bank will close its Swiss subsidiary, Liechtensteinische Landesbank (Switzerland) Ltd. and sell its Jura Trust AG subsidiary.

LLB had to go on record in a couple of key ways to ink the deal. The bank admitted it knew U.S. taxpayers were maintaining undeclared accounts and violating U.S. law. The bank also admitted that it suspected that customers who had entities and secret codes for accounts—not to mention those who asked that no bank statements would ever be sent to clients—all meant the same thing.

And the numbers were significant. By the end of 2006, LLB held over \$340M of undeclared assets for U.S. taxpayers in over 900 accounts. But the feds mention some key factors leading to this favorable deal with this bank:

- LLB's voluntary implementation of remedial measures beginning in June 2008, even before the investigation of its conduct began;
- LLB's voluntary cooperation throughout—and its agreement to continue cooperating for 3 more years.
- LLB's work on changing Liechtenstein law.

The IRS may be besieged at home over its budget and over its Tea Party targeting scandal. See [6 Questions Everyone Should Ask The IRS](#). Even so, the IRS and DOJ have achieved a remarkable string of victories in this global tax and disclosure war. Not long ago, the idea that the U.S. could change the entire face of bank secrecy across multiple countries could never have been imagined.

But that was then. And this is now. For the IRS, the world is its oyster.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.