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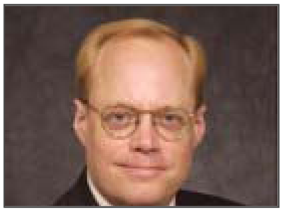

Robert W. Wood

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U.S. Ranks As Top Tax Haven, Refusing To Share Tax Data Despite FATCA

Over the last seven years, America has flexed its muscles at tax havens everywhere. With Schwarzenegger-like bulk, the U.S. has crushed Swiss banks and rooted out U.S. account holders worldwide. With its ambitious FATCA undertaking, the U.S. has cowed the world into submission. making foreign banks and foreign governments hand over what would be secret bank data about depositors.

Yet ironically, a new report by the Tax Justice Network says that the U.S. doesn’t practice what it preaches. Indeed, the report ranks America as one of the worst. How bad? Worse than the Cayman Islands. The report claims that America has refused to participate in the OECD’s global automatic information exchange for bank data. The OECD has been designing and implementing the system to target tax evasion. Given the IRS fixation on that topic, you might think that the U.S. would join in.

But it turns out that the United States jealously guards its information. The Tax Justice Network says the IRS is stingy with data. Of course, with FATCA, America has more data than anyone else. FATCA, the Foreign Account Tax Compliance Act is up and running. The IRS says it is now swapping taxpayer data reciprocally with other countries. The IRS says it will only engage in reciprocal exchanges with foreign jurisdictions meeting the IRS's stringent safeguard, privacy, and technical standards.

The Tax Justice Network report blasts the U.S. for the one way street it has become:

> ‘The United States, which has for decades hosted vast stocks of financial and other wealth under conditions of considerable secrecy, has moved up from sixth to third place in our index. It is more of a cause for concern than any other individual country – because of both the size of its offshore sector, and also its rather recalcitrant attitude to international co-operation and reform. Though the U.S. has been a pioneer in defending itself from foreign secrecy jurisdictions, aggressively taking on the Swiss banking establishment and setting up its technically quite strong Foreign Account Tax Compliance Act (FATCA) – it provides little information in return to other countries, making it a formidable, harmful and irresponsible secrecy jurisdiction at both the Federal and state levels. (Click here for a short explainer; See our special report on the USA for more)."

FATCA was passed to require non-U.S. banks and financial institutions around the world to reveal American account details or risk big penalties. The big penalties on offshore banks who do not hand over Americans are withholding at 30% on most transactions. There has already been some withholding, but more is on the way.

FATCA requires foreign banks to reveal Americans with accounts over $50,000. Non-compliant institutions are frozen out of U.S. markets, so there is little choice but to comply. FATCA cuts off companies from access to critical U.S. financial markets if they fail to pass along American data. More than 100 nations have agreed to the law. Countries must agree to the law or face dire repercussions.

Of course, there are repercussions for depositors too. Lately, the IRS is warning offshore account holders to disclose before it's too late. Under FATCA, banks everywhere want to know if you are compliant with the IRS. And the cost of compliance for many people is growing. The IRS updated its list of foreign banks where accounts trigger a 50% (rather than 27.5%) penalty in the IRS's long-running Offshore Voluntary Disclosure Program (OVDP). The OVDP remains the safest and most foolproof program, with amnesty even for willful acts. But for those with the right facts, the IRS Streamlined program continues to grow in popularity. It is only for non-willful violations, but it is far simpler and much less costly.

Speaking of willful, if the Tax Justice Network report is to be believed, for all its platitudes about transparency, the U.S. turns out to be secretive after all.

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