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THE TAX LAWYER

TAXES | 4/30/2013

Wells Fargo Hit With IRS Summons For Tax Haven Account Data

A federal court authorized the IRS to serve a John Doe summons on Wells Fargo Bank. See [Court Order](#). Mind you, it's not Wells Fargo account holders the IRS is after. The IRS wants Wells to hand over data on U.S. taxpayers with accounts at Canadian Imperial Bank of Commerce FirstCaribbean International Bank (FCIB). If you have an account with this offshore bank, how could Wells Fargo have your name and details?



Image credit: Getty Images via @daylife

It turns out FCIB has a correspondent account at Wells Fargo and that's the way in for the IRS. This John Doe summons directs Wells Fargo to produce records identifying U.S. taxpayers with accounts at FCIB and other banks using the account. See [Memorandum in Support of Ex Parte Petition for Leave to Serve John Doe Summons](#). Based in Barbados with branches in 18 Caribbean countries, FCIB doesn't have any U.S. branches.

But like many other foreign banks, it maintains a **correspondent account** in the U.S., and that's where Wells Fargo comes in. Foreign banks that don't have an office in the U.S. open a correspondent account at a U.S. bank.

Through a John Doe summons issued to the U.S. bank holding the correspondent account, the IRS can view records of deposits and payments by check and wire.

With a normal summons, the IRS seeks information about a specific taxpayer whose identity it knows. A John Doe summons allows the IRS to get the names of all taxpayers in a certain group. It's like fishing with a net and the IRS needs a judge to approve it.

It was a [John Doe summons](#) that blew the lid off Swiss banking in 2008. A judge allowed the IRS to [issue a John Doe summons to UBS](#) for information about U.S. taxpayers using Swiss accounts. After sniffing out American taxpayers with UBS accounts, the IRS did the same with HSBC in India. See [Can Foreign Account Nondisclosure Be A Conspiracy?](#)

The IRS claims U.S. taxpayers use FCIB to keep offshore accounts undetected and skirt taxes and disclosure rules. But since the IRS doesn't have it yet, where's the proof? It turns out that over 120 FCIB account holders stepped forward under the IRS voluntary disclosure program. That was good enough for the court to approve issuing the summons.

Those 120 taxpayers are safe but not the account holders who stayed mum. Acting IRS Commissioner Steven T. Miller noted this as "another milestone in international tax enforcement." The IRS pursues cases "regardless of whether the person hiding money overseas chooses a bank with no offices on U.S. soil." See [DOJ Press Release](#).

The IRS used the same technique with now defunct Swiss bank [Wegelin & Co.](#) when a federal court [entered an order](#) authorizing the IRS to serve a John Doe summons on UBS for records of Wegelin's correspondent account at UBS.

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