



INVESTIGATIONS June 2, 2011, 5:00PM EST

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The IRS Grills Taxpayers on Offshore Accounts

The U.S. seeks information from people who sought amnesty

By David Voreacos

In 2009, as U.S. prosecutors were bearing down on Swiss bank UBS ([UBS](#)) to disclose the names of tax cheats, thousands of wealthy Americans decided it was best to avoid prosecution and come clean with the Internal Revenue Service. Under a limited amnesty program, they disclosed their secret offshore accounts and paid the taxes they owed, along with the reduced penalties that were part of the deal. They also agreed to turn over records and cooperate with the IRS.

Now, IRS agents and federal prosecutors are going back to some of those same people to milk them for more information on the bankers and advisers who helped them hide their money. So far, more than 200 offshore-bank clients have been questioned in what lawyers call a crackdown of unprecedented scope. The questions that taxpayers answered helped form the basis of an indictment of four Europe-based bankers at Credit Suisse ([CS](#)) in February, and a U.S. civil action against HSBC ([HBC](#)), according to people familiar with the matter. "This is the biggest tax investigation ever in the country, both in terms of the numbers of people and the money involved," says Robert S. Fink of Kostelanez & Fink in New York, a tax lawyer for 43 years. "They are looking at what I call the enablers." Fink represents nearly 40 people contacted by investigators. "HSBC does not condone tax evasion. It fully supports U.S. efforts to promote appropriate payment of taxes," says HSBC spokeswoman Juanita Gutierrez.

On the telephone or in face-to-face sessions, more than 100 federal prosecutors are pressing the taxpayers to cough up details about who helped them set up their accounts, how they moved their money, and where they met their advisers, according to two people involved in the probe who aren't authorized to speak about the matter. People who don't cooperate could be prosecuted for their tax crimes. IRS spokesman Dean Patterson didn't respond to questions about the investigation.

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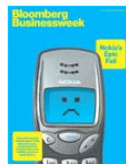
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A New Jersey physician who disclosed his offshore account in 2009 found out from his lawyer in January that the IRS wasn't done with him yet. The doctor, who spoke on condition that he not be identified, took sole control of about \$750,000 in a UBS account in Zurich when his mother died in 2002. He says that in October 2008, his UBS banker told him to close his account, by then reduced to about \$275,000. The doctor flew to Zurich, where his banker gave him the names of two banks that he was told would hide his account from the IRS. The doctor chose Basler Kantonalbank, a regional Swiss bank.

By late 2009, he feared that UBS would give his name to the IRS as part of a settlement with the government. He joined the voluntary disclosure program and ended up paying \$250,000 in back taxes, interest, penalties, and legal fees. In February a prosecutor and two IRS agents questioned him over the phone for 40 minutes, homing in on his dealings with Basler Kantonalbank. The doctor says he later received a letter from the IRS telling him the matter was closed.

Most of the people being questioned came to the attention of the IRS after UBS, Switzerland's largest bank by assets, was criminally charged in February 2009 with helping Americans evade taxes. The bank avoided prosecution by paying \$780 million, admitting it fostered tax evasion, and agreeing to give data to the IRS on more than 250 accounts. UBS later handed over data on an additional 4,400 accounts to resolve a civil suit brought by the IRS.

As it was pursuing UBS, the U.S. also began flushing out bank clients who had been squirreling away money in offshore havens such as Liechtenstein, Hong Kong, and Panama. From March to October 2009, 15,000 taxpayers came forward under the IRS's voluntary disclosure program. After October 2009, some 4,000 more joined the program. To avoid prosecution, the taxpayers had to disclose their offshore accounts, bankers, and advisers, as well as how they moved their money. The results are what's feeding the current investigation. "We are mining the information we have received to date and have launched our next wave of investigations on banks, bankers, intermediaries, and taxpayers," IRS Commissioner Douglas H. Shulman said in a May 18 speech.

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