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WEEKEND INVESTOR

# More U.S. Taxpayers Admit to Secret Swiss Accounts

*Swiss Bank Clients are Being Pressured to Declare Their Offshore Accounts*

By LAURA SAUNDERS

Nov. 1, 2013 6:42 p.m. ET

There is a new rush by U.S. taxpayers to confess secret offshore accounts to the Internal Revenue Service, experts say.

Bryan Skarlatos, a partner at law firm Kostelanetz & Fink in New York, which has handled more than a thousand confessions, says his firm is now getting "two or three calls a day" from U.S. taxpayers with secret accounts compared with "one or so a week" during the previous two years.

He and other experts say the cause of the rush is pressure from Swiss banks themselves. The banks are warning current and former U.S. clients that their names and account information soon could be disclosed, and that such disclosure will disallow the taxpayer's entry into the IRS's limited-amnesty program for undeclared offshore accounts.



The Swiss Financial Market Supervisory Authority oversees banks. *Bloomberg News*

Banks that have recently notified U.S. account holders, according to experts, include Cornèr Bank Group, Bank J. Safra Sarasin, BSI Bank, and Hyposwiss Privatbank. A spokesman for Bank Sarasin declined to comment, and the others didn't respond to requests for comment.

Taxpayers allowed to enter the IRS's program for confessors owe taxes, interest and penalties—typically amounting to up to half of the account balance—but they are protected from criminal prosecution.

According to information released by the IRS last year, more than 38,000 U.S. taxpayers have entered the agency's limited amnesty for undeclared offshore accounts. They have paid more than \$5.5 billion to resolve issues, with an estimated \$5 billion yet to come.

An IRS spokesman declined to provide updated statistics or comment on the actions of the Swiss banks.

Experts say that the banks themselves stand to benefit from client confessions. In late August, U.S. officials announced a plan endorsed by Swiss officials that allows some Swiss banks to conclude agreements with U.S. authorities about alleged encouragement of tax evasion. The deal doesn't apply to about a dozen larger banks, including Credit Suisse Group and HSBC Private Bank Suisse, that were

under investigation by the U.S. before the program was announced.

To defer or avoid criminal prosecution, banks have to agree to provide account information and pay penalties based on the amount of assets they helped hide that could amount to a billion dollars or more, experts say.

However, the banks could avoid owing penalties on undeclared assets their clients disclose to the IRS.

"These banks have an incentive to prod their account holders to confess," says William Sharp, managing partner of Sharp Partners, a law firm with offices in the U.S. and Zurich, who has represented many U.S. clients of large Swiss banks. He strongly recommends that U.S. taxpayers with undeclared accounts seek to enter the IRS's program as soon as possible.

Mr. Skarlatos says the U.S. taxpayers now stepping forward often have accounts of \$10 million or more, with a few above \$100 million. Some of them moved their accounts to smaller Swiss banks from larger ones, says Scott Michel, president of Caplin & Drysdale, a law firm in Washington. "They thought they could solve their own problem, but making such a move can be further evidence of tax evasion," he adds.

Mr. Michel says that some U.S. taxpayers also moved accounts out of Switzerland to countries such as Singapore and Hong Kong, but that the Swiss disclosures are expected to identify the receiving bank.

While Singapore doesn't have a tax treaty with the U.S., it probably will cooperate with U.S. efforts to stem offshore evasion. "They have been moving in the direction of greater transparency," Mr. Michel says.

U.S. officials' intense campaign against offshore tax evasion took shape after Swiss banking giant UBS admitted in 2009 that it helped U.S. taxpayers hide money abroad. UBS paid \$780 million and turned over the names of more than 4,400 account holders, ending decades of Swiss bank secrecy to avoid criminal charges.

Since then, more than 120 U.S. taxpayers and advisers have been criminally charged in connection with offshore accounts, most of which were based in Switzerland. The country's oldest bank, Wegelin & Co., closed after admitting to helping U.S. taxpayers hide \$1.2 billion abroad.

In August, Zurich lawyer Edgar Paltzer pleaded guilty to helping clients evade U.S. taxes using Swiss bank accounts. Last month, Italian authorities arrested Raoul Weil, the former No. 3 official at UBS, based on an Interpol notice requested by U.S. authorities. Mr. Weil was indicted in 2008 in U.S. court in Florida in connection with encouraging U.S. tax evasion. His lawyer declined to comment

—John Letzing contributed to this article.

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