



News Release

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EARLY DATA SHOW STRONG RESPONSE TO OFFSHORE INITIATIVE; APPLICANTS OWE MILLIONS, REVEAL SCORES OF PROMOTERS

WASHINGTON — The Internal Revenue Service announced today the recently completed Offshore Voluntary Compliance Initiative led to more than 1,200 people stepping forward to participate. A partial analysis of some of the cases has already identified more than \$50 million in uncollected taxes and 80 new offshore promoters.

“This is a strong response to the offshore program,” said acting IRS Commissioner Bob Wenzel. “People with multi-million-dollar tax bills came forward, and they identified scores of new promoters of offshore tax schemes for further investigation. This effort sends a powerful signal to offshore tax evaders still out there and others considering hiding money overseas.”

Taxpayers faced an April 15 deadline to apply for the Offshore Voluntary Compliance Initiative (OVCI). The initiative was aimed at bringing taxpayers who used offshore payment cards or other offshore financial arrangements to hide income back into compliance with the tax laws.

The OVCI deadline brought a flurry of last-minute filings. The agency has had a chance to review only a portion of the filings so far, but the preliminary analysis reflects the program’s success:

- In all, 1,253 taxpayers from 46 states and 48 countries applied for OVCI. Florida led with 141 applicants, followed by California with 115, Texas with 71 and New York with 47. The applications covered more than 3,500 tax years.
- After reviewing some of the initial cases, at least \$50 million in uncollected tax has been identified. When the rest of the cases and related amended tax returns are factored in, the IRS expects the amount of tax to surpass \$100 million. A number of the cases involve taxes exceeding seven figures.
- In the first 229 OVCI cases reviewed, taxpayers identified 107 different offshore promoters. Of these, the IRS identified 80 new promoter cases, which carry significant potential for future agency efforts to track down offshore tax evaders.

“We are discovering a gold mine of information,” Wenzel said. “We are gaining a substantial amount of insight and information for our agents to use as we continue to build and expand our offshore investigations. This will provide us with a valuable map to track offshore cheating. The IRS intends to take full advantage of these leads.”

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Applicants to OVCI had to provide full details on the person or persons who promoted the offshore arrangements. Eligible taxpayers could avoid criminal prosecution and certain penalties but would still have to pay back taxes, interest and some penalties.

People from all walks of life applied for the program, including lawyers, dentists, business executives, estate heirs and numerous other occupations. The applicants for the program included people filing returns as individuals, domestic and foreign corporations and trusts and estates.

About 240 applicants claimed the offshore promoters scammed them out of their money.

"Some of these people have learned the hard way it doesn't pay to be involved in these schemes," Wenzel said. "A clear lesson emerges from the offshore initiative — not only do you run risks violating the tax law, you risk losing everything you send offshore."

The IRS also believes the increased awareness on offshore issues and the agency's continuing emphasis on this area will help encourage people to avoid these transactions in the future.

The strong response to OVCI resulted in large part from assistance from several key groups. The IRS received help from tax practitioners who discussed OVCI with their clients. Many states and the Federation of Tax Administrators cooperated with the effort. In addition, the Senate Finance Committee and others in Congress helped focus attention on the offshore initiative and other tax scams and schemes.

Now, the IRS moves into the next phase of OVCI. The agency will review the applicants to determine if they are eligible for the program. These taxpayers will have 150 days from the date they are notified of eligibility to file correct returns, pay or arrange to pay balances due and submit other required paperwork.

In the weeks and months ahead, the IRS will be processing and analyzing these responses from eligible taxpayers. The IRS will also continue its work to identify and pursue civil and/or criminal penalties against those who:

- Promoted abusive tax avoidance transactions.
- Utilized offshore financial arrangements to improperly avoid tax but did not choose to participate in OVCI.
- Attempted to circumvent the process by submitting amended returns directly to IRS campuses.

The IRS saw an increase in the number of questionable amended returns filed during this period outside of OVCI. Although specific numbers are not available, a number of these returns involved seven-figure tax bills related to offshore activity.

The IRS continues to work on other elements of the offshore initiative through the John Doe summons investigation. Since October 2000, the IRS has issued a series of summonses to a variety of financial and commercial businesses to obtain information on U.S. residents who held credit, debit or other payment cards issued by offshore banks.

Investigators have been using records from the John Doe summonses to trace the identities of people whose use of these payment cards may be related to hiding taxable income. The investigation has entailed combing through data on millions of transactions. In its initial steps, the IRS has more than 1,000 offshore payment cardholders under audit. Dozens of cases have already been referred to Criminal Investigation for possible action.

"In many ways, our work on this is just beginning. We will continue aggressively pursuing the offshore cases in the months and weeks ahead," Wenzel said. "For the people who didn't come forward under the offshore initiative, they're running a real risk."

People who didn't come forward under OVCI still have an opportunity to make things right with the IRS by filing amended returns or following the terms of the Voluntary Disclosure Initiative, which was outlined in IRS news release, IR-2002-135.

Additional information on the offshore program and other efforts to combat tax evasion is available on IRS.gov under "The Newsroom."

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