

# Senator Carl Levin on the launch of the US edition of T...

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The US edition of Nick Shaxson's book [Treasure Islands](#) was launched yesterday.

Senator Carl Levin spoke at the launch, [saying](#):

### **Speech on Offshore Tax Havens and Nicholas Shaxson's Treasure Islands**

#### **Speech as Prepared for Delivery, Washington Press Club**

Good morning. I'd like to thank Nick Shaxson and the Financial Accountability and Corporate Transparency Coalition for inviting me to discuss for a few moments an issue that has huge implication for our country and for the global economy: offshore tax havens.

It's an especially appropriate time of the year to take up this subject. I'd like to give you my thoughts on why it is not only timely, but of critical importance.

Next Monday is tax day. Millions of American families will finish their tax returns and file them with the IRS. Millions more will have already filed their returns by then. Needless to say, tax day is not exactly a celebrated American holiday. We will grumble. We will complain about how much we pay in taxes or owe to Uncle Sam. But nearly all of us will fill out the form, write the check if we have to, and file our returns.

We do so partly because, hey, who wants to get in hot water with the IRS? Failing to pay taxes is serious business, and nobody wants to take on the tax man. But for most of us, I think there is something else going on as well, even if it's in the back of our minds, and that is a sense of civic duty. We have many disagreements about how much we should pay, who should pay, and how the money we pay should be spent. But most of us also know that for our country to remain safe, secure, and prosperous, paying taxes is not only necessary, but a patriotic commitment to the country we love. A country that, for all its flaws, we believe is the best place to live in the world.

Meanwhile, here in Washington, we see another aspect of the tax issue: the argument over the budget. The turbulence of the last two weeks is just a preview of the debate

that has already begun over the budget for 2012 and beyond. By any accounting, our projected deficits in coming years are unsustainable. The mismatch between our spending and our revenue is too great. And this mismatch has sparked an enormous, contentious, difficult debate over how best to resolve the issue.

So how do those two events — tax day and the deficit debate — relate to Nick Shaxson and his book on tax havens? It's the contrast between those millions of ordinary Americans fulfilling their legal and civic obligation to pay taxes to Uncle Sam, while others, most of them wealthy individuals or profitable corporations, are taking evasive action to dodge the very same obligations. Many of those tax dodgers will use offshore tax havens to hide income and assets, and shelter them from taxes. Which means that the families who pay their fair share will have to pay more, because they will have to carry the load for the tax dodgers using offshore havens to evade their taxes.

Nick Shaxson admirably lays out the history of how tax havens have become such an insidious feature of the global economy. Today, folks around the globe know to go offshore to hide money. They know tax havens can be used to hide funds not only from tax authorities, but from law enforcement, courts and creditors. Enron had over 400 offshore subsidiaries. A single building in the Cayman Islands, called the Ugland House, serves as the mail drop for nearly 19,000 companies incorporated there for tax-dodging purposes. Hedge funds whose employees live right here in the U.S. pretend to be based in tax havens to dodge U.S. taxes, and some companies keep their money offshore so they don't have to pay one thin dime to support this country — in fact, they get tax refunds instead.

The Senate Permanent Subcommittee on Investigations, which I chair, has spent more than a decade exploring how offshore tax havens conceal wealth, distort commerce, and abet crime, money laundering and corruption. The truth is that tax havens have declared economic war on honest countries, including the United States by helping U.S. taxpayers dodge U.S. taxes and rob the U.S. Treasury of needed funds. The ongoing drain on the U.S. Treasury is massive and it bears directly on the budget and deficit debate. In 2006, our Subcommittee estimated that offshore tax abuses cost our Treasury about \$100 billion a year in lost revenues. The big budget debate this year focused on about \$70 billion in proposed budget cuts, which means the revenues lost to tax havens might have — all by themselves —resolved the problem. Now I am not so naïve as to believe that if we had that lost tax haven revenue, we would avoid contentious debates over the budget. But whether you, like me, believe the budget cuts proposed by House Republicans are too deep, or whether you are a Tea Party fan who would use that revenue to fund additional tax cuts, there is no doubt that closing down tax haven abuse would make a big dent in the problems we face. While offshore tax abuse remains rampant, the news is not all bad. There have been some recent successes in the effort to rein in the problem. Last year, Congress enacted the Foreign Account Tax Compliance Act which, when it becomes effective in 2013, will require overseas banks to disclose to the IRS all accounts opened by U.S. depositors. If they don't disclose, those banks will face a 30% withholding tax on all their U.S. income. That new law hopefully will help flush out hidden bank accounts by giving

foreign banks a reason to disclose them. In another important step, in 2010, after a long battle, the IRS succeeded in piercing Switzerland's veil of bank secrecy and forced its largest bank, UBS, to provide the names of thousands of U.S. clients who had opened hidden Swiss bank accounts. Similar efforts to identify tax cheats at other tax haven banks are under way.

These victories prove that the battle against offshore tax abuse can make progress, but they also represent skirmishes in what will likely be a very long war. I'd like to discuss two pieces of legislation that I have introduced in the past, and plan to reintroduce in this Congress, to continue the fight.

The first bill is the Stop Tax Haven Abuse Act, which President Obama cosponsored when he was a member of the Senate. This bill would enact a number of measures to combat offshore tax abuse, including enabling the United States to take steps against offshore financial institutions or jurisdictions that impede U.S. tax enforcement. For example, it would allow the Treasury Department to act against tax haven countries that don't cooperate with our tax enforcement efforts by preventing U.S. banks from doing business with or honoring credit cards from banks in those countries. It would also simplify U.S. tax enforcement by allowing courts to apply a rebuttable presumption that U.S. persons who form, send money to, or receive money from offshore entities control those entities; and it would toughen penalties against tax shelter promoters and others who aid or abet tax evasion.

The second bill is the Incorporation Transparency and Law Enforcement Assistance Act, which addresses a problem in our own backyard. Nearly two million corporations and limited liability companies are formed within the United States each year, and we don't know who is behind them, because the states forming those new companies don't ask. U.S. corporations with hidden owners are not only used to evade taxes, but have been used by terrorists, narcotraffickers, corrupt dictators, and other criminals. My bill would require those who set up U.S. companies to disclose the names of the people behind them -- the beneficial owners. Those names would be made available to law enforcement agencies and to the IRS upon presentation of a subpoena. It's a heck of a lot harder to argue for an end to offshore secrecy in tax haven countries if we don't put our own house in order and meet our international commitments to obtain ownership information for the corporations formed here. So we have work to do! One important part of that work is informing the public, taxpayers, policy makers and the media about the scope of the offshore tax abuse problem. Nick Shaxson's "Treasure Islands" does just that, pointing out problems not just in jurisdictions known for offshore secrecy, but also here in the United States, and in his home country, the United Kingdom. His book has won widespread praise in Europe. It's been called "riveting," "blistering," "gobsmacking," and "perhaps the most important book published in the UK so far this year." I hope we on this side of the pond will give his book the same amount of attention. In the week before tax day and in the midst of the ongoing budget debates, his book will help us get serious about shutting down offshore tax abuses that continue to rob this country of needed tax revenues.

Ladies and gentlemen, Nicholas Shaxson.

It's warmly appreciated that there are some politicians, like Carl Levin, who are willing to stick their necks out on this issue.