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IRS Withdraws Its UBS Tax Case, Closing a Chapter
U.S. Taxpayers' Names Handed Over; More Actions to Come

By LAURA SAUNDERS

The Internal Revenue Service on Tuesday said it has dropped a long-running legal action against Swiss banking giant UBSAG, after the Swiss government handed over names of U.S. taxpayers holding accounts at the bank.

IRS Commissioner Doug Shulman also said the IRS may offer another voluntary disclosure program for U.S. taxpayers with undeclared foreign accounts, providing clarity on potential penalties. The first such program brought in 15,000 taxpayers in before its Oct. 15, 2009 deadline. The IRS had pursued UBS since 2008 for encouraging U.S. taxpayers to hide income in secret Swiss accounts.

Mr. Shulman said Tuesday's announcement "closed the first chapter" of the agency's quest to end bank secrecy and find U.S. taxpayers with undeclared offshore accounts.

More

UBS Probe Closed, Others Remain

"We have additional cases and banks in our sights," he said, though he declined to reveal which banks.

Bryan Skarlatos, an attorney at Kostelanetz & Fink in New York, and other tax attorneys said some of their clients have gotten letters from the Justice Department regarding foreign accounts with HSBC, and that some Israeli banks are feeling pressure as well. HSBC declined to comment. Since the end of the first limited amnesty period, more than 3,000 taxpayers have stepped forward to the IRS without knowing the penalties they will pay. "We understand their anxiety and are actively considering another predictable voluntary disclosure program, although with higher penalties than for the first group," said Mr. Shulman.

He also offered new details of both the UBS case and the earlier amnesty program, which applied to all offshore account holders. The handover of Swiss data and the amnesty together are bringing more than 18,000 taxpayers into full compliance. The average collection per case in tax, interest, and penalties so far is \$200,000, he said.

Doug Shulman

-Swiss agreement, with the rest of the names to come. The final tally of UBS account holders revealed by the Swiss government or volunteered by taxpayers themselves will exceed 7,500, said Mr. Shulman.

"We are satisfied with the information we received," he said.

Mr. Skarlatos said that despite earlier reports of 17,000 U.S. taxpayers with 52,000 UBS accounts, he believes the agency has substantially all the names of UBS customers with undeclared accounts, because many accounts were legal.

Attorneys welcomed Mr. Shulman's announcement that the agency may offer another limited amnesty program. **"Right now people are reluctant to come forward," said Barbara Kaplan, an attorney with Greenberg Traurig LLP in New**

York. "If the IRS clarifies the penalties, they can count on more participants."

Mr. Shulman added that fewer than 10% of the 15,000 cases during the first limited amnesty have been concluded.

Although the penalties are lower than the maximum allowed by law, they are still harsh. The total of taxes, interest, and penalties often comes to about half the account total, before professional fees, said Mr. Skarlatos, whose firm is handling more than 500 cases. In a few cases, he said, the amount owed the IRS is as low as 20% or more than 100%.

—Arden Dale contributed to this article.

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