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RAHN: IRS troubles go global

By Richard Rahn – 06/11/13

Demands for tax records are drying up foreign investment in the U.S.

The problem of Internal Revenue Service misbehavior is not confined to its actions in the United States, but extends to its dealings with foreign individuals, institutions and countries. All sovereign nations have just as much right to create their own tax laws and privacy protections as does the United States.

It is disappointing that the folks at the IRS and the Obama Treasury and Justice departments seem to have forgotten this basic principle as they are now engaged in a full-scale assault on the basic property and human rights of many non-Americans, as well as many Americans who live abroad or have assets in foreign countries.

Representatives of major European think tanks and taxpayer groups are attending the annual Resource Bank meeting here in Vienna, hosted by the Austrian Economics Center and the Hayek Institute. They are appalled by the actions of the IRS.

The IRS, in its zeal to chase any individual or company that might possibly owe it a dollar, regardless of domicile on the globe, including foreign citizens, is now involved in a massive tax information-sharing scheme with foreign governments. By law, the IRS is not supposed to share taxpayer information, even with other U.S. government agencies. However, we now know that sensitive company and individual taxpayer information of those who oppose Obama administration policies has been leaked.

The notoriously irresponsible Sen. Carl Levin, Michigan Democrat, was one of those who pushed the IRS to target Tea Party organizations and others who defend the U.S. Constitution. He was also a prime mover behind the legislation enabling the IRS to create the highly dangerous and destructive Foreign Account Tax Compliance Act. In sum, the act requires foreign financial institutions to spy and report on any individual who is a U.S. citizen, or might be a “U.S. tax person,” or have any potential tax liability to the U.S. government, regardless of nationality.

As would be expected, this regulation, which is U.S. financial imperialism of the worst sort, is causing great resentment among foreign governments, financial institutions and citizens, as well as Americans living and working abroad. It is very costly for foreign financial institutions to administer, and puts their executives at risk for both civil and criminal penalties for any failure to administer the law as the IRS may wish.

The Foreign Account Tax Compliance Act is already causing many foreign financial institutions to cease investing in the United States or accepting clients with any U.S. connection. Eventually, this regulation may cost the country trillions of dollars in lost foreign investment and millions of lost U.S. jobs. Yet the IRS and Treasury failed to do an independent and serious cost-benefit

analysis of the regulation as required. Private-sector executives who fail to do such an analysis could be fired or fined for failing to carry out their fiduciary responsibility.

Many foreign governments are reluctant to go along with the act unless the United States signs agreements to share information on foreign and U.S. taxpayers — which the Obama administration is now doing. Millions of taxpayers may soon find their sensitive financial information is being shared with corrupt or despotic regimes, putting both their property and families at risk. The IRS assures us that it will be most careful about what information it shares and with whom it shares it. As we have seen with the recent revelations, however, promises by IRS officials are worthless.

Many Canadians, for good reason, are upset about these impending regulations, and there are groups in Canada who have said they will bring Canadian constitutional suits against the government under human rights violations if Canada signs on to the Foreign Account Tax Compliance Act. Canadian citizens who were born in the United States or have an American parent and live in Canada would now fall under the yoke of the IRS, even though they have no intention of living or working in the United States. The U.S. government might be able to seize their property and they may find it almost impossible to acquire bank accounts or even travel to the U.S.

Austria is being forced to give up much of its traditional financial privacy, in part, because of the actions of the IRS and U.S. Justice Department. Many here in Vienna remember well losing their freedoms first to the fascists and then to the communists, which is one reason they have so resisted the efforts to destroy their financial privacy.

Americans are now learning that once tax authorities have the ability to peer into their bank accounts and to monitor their financial affairs, these authorities will abuse this power, and an essential freedom is lost.