

Offshore Asset Protection BLOG - Bob Bauman

That's The Way It Looks From Here

December 28, 2009

Merry Christmas from the IRS

Daniel J. Mitchell of the Cato Institute is my guest columnist today. Dan is a frequent speaker at Sovereign Society conferences and has just released [a new video](#) documenting the "red ink train wreck" of deficit spending that is well worth viewing. Dan writes:

Here are a few stories to bring holiday cheer for taxpayers. First, we have an Associated Press [report](#) that several hundred thousand federal bureaucrats have serious tax delinquencies. The Department of Housing and Urban Development always ranks high on the list of government entities that should be abolished, so it's interesting to see that HUD bureaucrats are most likely to be dodging their taxes:

More than 276,000 federal employees and retirees owed back income taxes as of Sept. 30, 2008, according to data from the Internal Revenue Service. The \$3.04 billion owed was up from \$2.7 billion owed by federal employees and retirees in 2007. Among cabinet agencies, the Department of Housing and Urban Development had the highest delinquency rate, at just over 4 percent.

This rampant nonpayment is especially outrageous since federal bureaucrats "earn" twice as much compensation, on average, as those of us laboring in the productive sector of the economy. One might think they would go out of their way to comply since their bloated salaries come from tax collections. Speaking of outrage, the internal watchdogs at the Treasury have just published [a report](#) showing that it is almost impossible to verify eligibility for the special interest tax breaks in the so-called stimulus. As [Investor's Business Daily opines](#), this is an invitation to fraud:

A new report from the Treasury Department's Inspector General for Tax Administration counts 56 tax provisions in the bill having a potential cost of \$325 billion. Of those, 20 are tax breaks for individuals and 36 are for businesses. The problem, the Inspector General says, is the IRS can't verify taxpayer eligibility "for the majority of Recovery Act tax benefits and credits." For individual taxpayers, 13 of the 20 benefits and credits can't be verified; for businesses, it's 26 of 36. ...To suggest, as Treasury does, that the biggest chunk of the \$325 billion in stimulus package tax breaks can't be adequately followed violates the pledges of openness and fairness made when the stimulus was passed last February. As the government-stimulus-oversight Web site, [recovery.gov](#), notes, last year's package "requires that taxpayer dollars spent under the Act be subject to unprecedented accountability." We wouldn't call being unable to verify upwards of two-thirds of the \$325 billion handed out as "unprecedented accountability." Sounds more like an invitation to fraud, all at the expense of the taxpayers.

To be fair, even a competent government agency might have trouble making a bad law work, and the \$787



boondoggle was rushed through the legislative process with very little — if any — attention paid to anything other than funneling other people's money to special interest groups. That being said, the IRS has trouble even with routine tasks. According to [another IG report](#), the agency has a staggering 70 percent error rate in its processing of taxpayer identification numbers for individual taxpayers:

The Treasury Inspector General for Tax Administration (TIGTA) today publicly released its review of the IRS's processing of applications for Individual Taxpayer Identification Numbers (ITINs).

TIGTA reviewed a sample of ITIN applications and found that almost 70% contained significant errors and/or raised concerns that should have prevented the issuance of an ITIN. The IRS estimates that it has issued more than 14 million ITINs as of December 2008. ITINs are intended to provide tax identification numbers to resident and nonresident alien individuals who may have U.S. tax reporting or filing obligations but do not qualify for Social Security Numbers, which generally are only issued to U.S. citizens and individuals legally admitted to the U.S. ..."The number of individual income tax returns filed using ITINs and reporting wage income has increased by 247

percent from 2001 to 2008,” commented J. Russell George, the Treasury Inspector General for Tax Administration. “If the IRS continues to issue ITINs without proper verification, the risk of fraudulently filed returns – along with fraudulently claimed refunds – will continue to rise,” added Inspector General George.

Just think how much fun it will be when the IRS is in charge of determining those of us who should get fined or jailed for noncompliance with government-run healthcare! No wonder so many taxpayers put a flat tax or national sales tax on their Christmas lists.

Bob Bauman



You can learn all about "going offshore" and about legitimate and legal offshore financial centers in my just published 4th edition of *Where to Stash Your Cash Legally: Offshore Financial Centers of the World*. [Find out how here.](#)

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