

Americans with Israeli Bank Accounts: Voluntary Disclosures to IRS Becoming a Necessity

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Washington, D.C.—February 22, 2013: On February 14, 2013, court filings revealed that an American citizen pled guilty to crimes involving failures to report the existence of two bank accounts maintained in Israel and the income from those accounts to the Internal Revenue Service. In this particular case, the defendant accessed his funds through "back-to-back" loans, a set of transactions apparently suggested by the bankers that allowed Israeli account holders to access liquid assets in the United States.

This plea agreement is important because it reveals the U.S. Government's widening probe and prosecution of Americans with accounts in Israel. "Just as occurred in Switzerland, it is now clear that the U.S. Government is increasing its focus on Americans who are failing to report Israeli assets," said Charles M. Ruchelman, a member of the Washington, D.C. law firm of Caplin & Drysdale. Previously, the Department of Justice and the IRS focused on off-shore accounts in the Caribbean, Switzerland, and India. Authorities are now likely to seek enforcement of the tax and foreign account reporting rules against Americans with Israeli accounts, as well as investigating and possibly prosecuting Israeli banks and bankers and other potential "enablers"—persons who have helped Americans hide money there. It seems apparent that the largest Israeli banks and others are expected to cooperate with U.S. Government investigators.

As part of the plea agreement (please see attached), the defendant agreed to cooperate with Government authorities and pay a significant financial penalty. Among other provisions, the Government promised not to prosecute other members of the defendant's family. The Plea Agreement was filed in U.S. District Court for the Central District of California on February 14, 2013. The next step in the case will be the defendant's sentencing.

Caplin & Drysdale has handled hundreds of voluntary disclosures, audits and investigations arising from unreported offshore accounts. "Any U.S. taxpayer who has failed to report accounts in Israel should consider immediate steps to bring themselves into compliance," Ruchelman added. Fast-acting professionals and affected persons can protect themselves from criminal prosecution by making a "voluntary disclosure" to the IRS (see <http://www.irs.gov/uac/2012-Offshore-Voluntary-Disclosure-Program>). Competent tax lawyers with experience in this specialized area can guide their clients through this process, which requires payment of the unreported income tax, interest, and a civil penalty. A U.S. taxpayer's failure to come forward on a timely basis, and failure to comply with ongoing filing requirements, could result in serious criminal and civil consequences. For more information, please contact Charles M. Ruchelman at cruchelman@capdale.com or 202.862.7834.

