



Written by [Alex Newman](#) on July 6, 2009

IRS Makes Americans International Pariahs

A June 29 Bloomberg article entitled “Swiss Banks Shun Americans as U.S. Compels Disclosure” quotes Zurich-based international tax lawyer Matthew Ledvina who said there is “massive” failure by U.S. citizens and green-card holders living abroad to file with the IRS. He also noted that Americans have become “pariahs because they’re risky.”



The article tells the story of Sandra Dysli, an American who has lived in Geneva for almost 50 years. “I was told that I cannot legally be a client because I’m an American,” she explained, recounting her trip to Zweiplus AG, a Zurich-based bank. “I couldn’t get an investment account and had everything in cash.” Some of the bigger banks have created U.S. registered sub units to serve American clients, like UBS, which admitted to helping Americans avoid taxes earlier this year. Since then, Switzerland has pledged to cooperate with IRS investigations, further eroding the nation’s historical legacy of bank secrecy.

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A letter UBS sent to American clients was obtained by *The New American*. It explains that the bank will no longer be able to continue the current relationship. It asks clients to please move the money to accounts regulated by the SEC, since they will be liquidated 45 days after receipt of the letter. It also advises them to seek advice from a U.S. tax lawyer.

“American citizens are starting to feel like they’re Typhoid Mary,” said Charles Adam, managing partner at a Geneva-based law firm called Hogan & Hartson LLP. “The Swiss simply don’t want American customers because it requires so much infrastructure and hassle that they don’t make any money.” He also explained that new proposed U.S. regulations to increase oversight and reporting requirements on foreign banks that withhold money for the IRS would make the problem worse — increasing the cost of compliance and the risk of violating U.S. rules.

In order to provide banking services to an American living abroad, a foreign bank must register with the Securities and Exchange Commission — and many banks aren’t willing to do so. “My bank doesn’t want to do that, so we wouldn’t accept an investment account for a U.S. person,” said the chairman of the Swiss Bankers Association and Mirabaud & Cie., Pierre Mirabaud, at a meeting of the American International Club of Geneva. Registering with the SEC removes the protections associated with Swiss banking laws, which, for example, make it a crime to reveal the identity of clients without their consent.



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“It’s up to individual banks to work out which citizens it wants to do business with,” said a spokesman for the Swiss Bankers Association. “The reporting obligations certainly aren’t going to go down as the IRS is considering extending the QI, exporting its tax laws and trying to turn Swiss banks into agents of the IRS.”

According to American Citizens Abroad, based in Geneva, about 5 million Americans live outside of the United States, with about 30,000 in Switzerland. The founder of the organization is not happy with the current state of affairs. “The presumption is that you’re a bad person avoiding taxes if you live overseas,” said Andy Sundberg. “The IRS rhetoric is alienating and vindictive.”

And at least two members of Congress have already expressed concern about the matter. “If neither foreign nor American banks will take American customers, how will the millions of citizens living abroad bank?” asked Carolyn Maloney and Joe Wilson, co-chairmen of the Americans Abroad Caucus, in a letter to the tax-dodging Secretary of the Treasury Timothy Geithner.

With a tax code spanning more pages than the Bible and requirements that no ordinary American could ever hope to understand, reform is long overdue. Alienating foreign businesses and creating such trouble for Americans living in other countries is only one small part of the problem. It’s time for real change. The IRS should be abolished.



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