

## U.S., Israel Reach Anti-Tax-Evasion Pact

---

Israel has become the latest country to reach a tax information-sharing agreement with the United States under a new law meant to combat offshore tax dodging by Americans, a U.S. Treasury Department spokesperson said last Thursday.

Set to take effect on July 1, the Foreign Account Tax Compliance Act of 2010 (FATCA) will require foreign banks, investment funds and insurers to hand over information about Americans' accounts that have more than \$50,000 to the U.S. Internal Revenue Service.

"This means that the Israeli financial institutions will have to report to the U.S. government all their clients who are U.S. citizens and/or Green Card holders, disclosing all these accounts," Dave Wolf, U.S. and Israeli tax attorney at Hacoheh Wolf Law Offices, told *Hamodia*. "This has huge implications for any American living in Israel or abroad that has never reported his foreign accounts or paid taxes on its income to the IRS, and to some states if applicable (such as New York and New Jersey)."

After four years of preparation and two delays, U.S. Treasury officials are racing to negotiate as many FATCA pacts as possible with foreign governments to avoid a messy start to the law, which has steep enforcement penalties.

The Treasury has reached 57 FATCA deals to date, with areas ranging from India to the Isle of Man.

Foreign firms that do not comply with FATCA face a 30 percent withholding tax on their U.S. investment income and could effectively be frozen out of U.S. capital markets.

Like most of the other FATCA deals, the Israeli agreement will allow Israeli firms to report U.S. account-holder information to their local tax authority, which will send it along to the IRS. The Israeli deal was agreed to "in substance" and must be finalized by the end of the year.

Financial firms in countries that have not reached a FATCA pact, known as an intergovernmental agreement, must report directly to the IRS and risk violating local privacy laws.

FATCA was enacted after a scandal involving Americans hiding money in Swiss bank accounts. The law's start date was delayed twice by the Obama administration as banks complained they needed more time to prepare.

Separately, U.S. authorities last week charged a former senior vice president of an unnamed bank headquartered in Tel Aviv with conspiracy for allegedly helping Americans dodge taxes, the U.S. Justice Department said.

The former banker, who now lives in California, allegedly set up secret accounts for U.S. clients to keep money hidden from the IRS, the Justice Department said.