



For Immediate Release
June 5, 2007

Contact: Carol Guthrie (Baucus)
Jill Gerber (Grassley)
(202) 224-4515

FINANCE LEADERS SENDING GAO INVESTIGATORS TO CHECK OUT CAYMAN ISLANDS OFFICE BUILDING

Baucus and Grassley want probe of location listed as companies' registered office

Washington, DC – U.S. Senators Max Baucus (D-Mont.) and Chuck Grassley (R-Iowa), Chairman and Ranking Republican Member of the Senate Finance Committee, are asking the Government Accountability Office (GAO) to investigate a five-story Cayman Islands building listed as the address of thousands of companies, and to evaluate the associated U.S. tax compliance implications. The Finance Committee hopes to use the GAO's findings to gain a greater perspective on the problem of offshore tax evasion as a whole, which was the subject of a May 3rd Committee hearing.

“As the global economy grows, so do its complexities, and that makes it increasingly difficult to track transactions that are legally subject to taxation. I want the GAO to go looking in one of the most likely places shady tax transactions could be sheltered, and that’s this building in the Caymans,” Baucus said. **“We need to make sure American companies have access to healthy foreign trade, and at the same time make sure honest American taxpayers are not footing the bill for corporations that aren’t paying their fair share. If American companies are setting up shop at the beach just to avoid their tax obligations, we can’t keep our heads in the sand.”**

“Americans benefit from a global economy,” Grassley said. **“We need to strike the right balance between allowing Americans to benefit from the global economy and policing the evasion of U.S. taxes. The Uglad House office building in the Cayman Islands has been the source of much debate on the Senate floor over the past few years. It’s time the Finance Committee found out what’s really going on there.”**

The text of the Senators’ letter is below.

June 5, 2007

The Honorable David M. Walker
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

Offshore tax evasion is a large and growing problem. We are concerned that U.S. taxpayers are creating offshore business entities solely to evade their U.S. tax obligations, seeking to confound I.R.S. collection efforts by obscuring the true ownership of American assets or income. Many so-called “tax haven” jurisdictions have entered into tax information exchange agreements with the U.S., giving the IRS an important tool in combating offshore tax evasion. But more can be done. Offshore tax evasion contributes to the tax gap, leaves honest taxpayers to shoulder more of the

tax burden, and threatens the viability of voluntary compliance with the lax laws. During a hearing on May 3, the U.S. Senate Committee on Finance reviewed GAO reports on Internal Revenue Service enforcement of offshore tax evasion and the qualified intermediary program. These reports helped illuminate the problem, but we need to learn more about offshore tax evasion and tax havens.

On the floor of the Senate, and in several Senate committee hearings, there has been a considerable amount of attention focused on a 5-story building in the Cayman Islands—Ugland House—that is reported to be the home of 12,748 companies. Of course, this building does not house the operations of 12,748 companies. Rather, Ugland House is home to an international law firm and is listed as the registered office for a number of entities that are organized in the Cayman Islands.

In order to help this Committee understand the significance of the offshore corporations, we would like to learn more about what is happening in this particular location—the Ugland House. Specifically, we request that GAO travel to the Cayman Islands and visit the Ugland House to determine what sorts of transactions are being conducted in that building. The Committee would like the GAO to determine (1) what business, if any, these companies carry on in the Cayman Islands; (2) what business reasons exist for incorporating in the Cayman Islands; (3) what information is available on the entities whose registered office is Ugland House, including how many are associated with U.S. citizens, residents or organizations and what information U.S. regulatory agencies may have on these corporations; (4) whether these U.S. citizens, residents or organizations are complying with U.S. tax laws with respect to their Cayman accounts or subsidiaries; and (5) the extent to which the I.R.S. has looked into the U.S. tax compliance implications of this activity. We understand that GAO may be limited in its ability to obtain information in the Cayman Islands, but we are interested in your best efforts to provide the requested information.

For purposes of this study, designated GAO representatives are authorized, pursuant to section 6103(f)(4)(A) of the Internal Revenue Code, to have access to the necessary taxpayer information.

Sincerely,

Max Baucus
Chairman

Charles E. Grassley
Ranking Member

###