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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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June 8, 2010

The Honorable Timothy F. Geithner
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue
Washington, DC 20220

The Honorable Douglas L. Shulman
Commissioner
Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

Dear Secretary Geithner and Commissioner Shulman:

I am writing to express my concern about continued tax evasion by taxpayers using secret Swiss bank accounts, particularly accounts at UBS AG. Swiss lawmakers voted today to block the treaty the United States hammered out with Switzerland last year. While I understand that today's vote in the lower chamber of the Swiss Parliament is not the final word, I am worried that the Internal Revenue Service ("IRS") is doing next to nothing to identify tax evasion by U.S. taxpayers utilizing these accounts while waiting for ratification of the treaty.

It has been over three years since Mr. Bradley Charles Birkenfeld approached the Department of Justice, IRS and the Securities and Exchange Commission about potential tax evasion facilitated by UBS AG on behalf of U.S. clients. The attached letter from Mr. Birkenfeld's attorneys outlines a number of steps that the IRS could have taken with the information he provided in March 2007. It seems this information would allow the IRS to trace individuals in the U.S. that had UBS bank accounts. In addition, this letter also provides information about UBS USA, a wholly-owned subsidiary of UBS AG, and its involvement in UBS AG activities here in the U.S.

Using this information to identify U.S. clients would appear to be more productive than simply pursuing agreements and treaties with the Swiss, especially since those avenues seem limited to specific individuals. It does not appear that you would need a treaty, or other agreement with the Swiss government, to pursue the records of UBS USA.

As a result, I would like a detailed listing of all steps IRS has taken with the information that Mr. Birkenfeld provided. Please note that I am not asking for information about any individual taxpayer so I do not expect section 6103 to preclude you from responding to my request. I would also like to know what IRS is doing to ensure that, if and when it receives a complete list of UBS AG account holders, the IRS will not be precluded by the statute of limitations from auditing those individuals.

Today's vote in Switzerland only underscores the need for the IRS to encourage whistleblowers to come forward. Mr. Birkenfeld blew the whistle on just one bank. What is the IRS doing to encourage more whistleblowers to come forward about offshore bank accounts?

I appreciate your prompt attention to this matter and ask for a written response by June 18, 2010. Please contact me or my staff at (202) 224-4515 with any questions.

Sincerely,

Handwritten signature of Chuck Grassley in cursive script.

Chuck Grassley
Ranking Member

Enclosure