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GLOBAL HIGH NET WORTH INVESTORS:
TAX EVASION & MONEY LAUNDERING (US/UK)

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THE WOLFE LAW GROUP

Published on www.lorman.com - May 2017

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THE WOLFE LAW GROUP

The Wolfe Law Group is an international array of legal and tax experts providing collaborative services for Global High Net Worth Investors on a per client basis.

Gary S. Wolfe, A Professional Law Corporation has over 35 years of experience providing clients with expertise for IRS Civil and Criminal Tax Audits, International Tax Planning, and International Asset Protection.

Awards

Since 2015 Gary have been the recipient of 29 separate international tax awards from 10 different global expert societies in London/UK including:

International Tax Planning Law Firm of the Year Award (2017) – International Advisory Experts.

International Tax Advisor of the Year (2017) - Global Business Magazine/Prof. Sector Network.

Click here for complete list.

Books

To date Gary has written 18 e-books (available on Amazon) regarding the IRS, International Tax Planning and Asset Protection. Click here for complete list.

Articles

To date Gary has published or been interviewed in 100+ separate articles published by 15 different US and International magazines. Click here for complete list.

Video

In December 2016 Gary was interviewed by California CEO Magazine and RCBNNews.org on the subject of Criminal Tax Evasion and IRS Tax Audits: Civil and Criminal Issues. This 4 part series, which has been published by Lorman Education, can be viewed below:

Criminal Tax Evasion - Part 1
Criminal Tax Evasion – Part 2
Criminal Tax Evasion – Part 3
Criminal Tax Evasion – Part 4

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Global High Net Worth Investors:
Tax Evasion & Money Laundering (US/UK)

In an unprecedented event, the United Kingdom is passing laws to seize real estate in London and the entire United Kingdom (over 2000 properties may be affected).

Currently, billions of dollars of real estate have been purchased through offshore companies with undisclosed beneficial owners hiding illegal funds including tax evasion, bribes and massive thefts by kleptocrats and dictators.

For more info please see 5/2/17 article, “UK Cracks Down on Money Laundering With New Bill to Target ‘Unexplained” Wealth”

I have written extensively on this subject in the past. Please see the following articles.

US Treasury Dept. Expanding Hunt for Money Laundering in Real Estate

On 7/27/16 the US Treasury Dept. expanded its hunt for international criminals who launder money through all cash US real estate purchases.

Beginning August 2016, the US Treasury has ordered title companies to report all cash buyers’ identities for expensive US residential real estate (homes, condos) in major US cities. The Treasury Program, seeking to unmask the individuals behind shell companies that buy US real estate, commenced in January 2016 for Manhattan and Miami-Dade County Florida.

Effective August 2016 the program is expanded to require reporting for all cash purchases at the following sales prices:

1) New York City: $3m (Manhattan); $1.5m other NYC boroughs

2) Florida: Miami-Dade County, Broward and Pam Beach counties ($1m)

3) California: Los Angeles, San Francisco Bay Area and San Diego ($2m)

4) Texas: San Antonio ($500k).

As stated by US Treasury Dept. Financial Crimes Enforcement Network (FINCEN) Acting Director, Jamal El-Hindi: “”By expanding to other major cities we will learn more about the money-laundering risks in the national real estate markets”.

For more info see: <u>FinCEN Expands Reach of Real Estate “Geographic Targeting Orders” Beyond Manhattan and Miami</u>

Tax Evasion and Money Laundering: US Real Estate

On 1/13/16 the New York Times reported that the US Treasury Department will start tracking secret buyers of luxury real estate in New York City (residences over $3m) and Miami-Dade County (residences over $1m) under a new US Treasury Dept. initiative effective March 2016-August 2016. If Treasury Dept. finds many sales involving suspicious money they would develop permanent reporting requirements across America.

The Treasury Dept. initiative is intended to disclose the real owners who make all-cash purchases thru shell companies that shield purchaser identities (shell cos. include: limited liability cos., partnerships and other entities). It is part of a broader US effort to increase the focus on money laundering in real estate.

According to the Treasury Dept. foreign (and other) purchasers use shell companies, pay all-cash, for luxury real estate, which becomes “a safe haven in the US for their money”.

The US Government is requiring title insurance companies (which are involved in virtually all sales) to discover the identities of buyers and submit the information to the Treasury, which will then put the information into a database for law enforcement. According to the New York Times investigation, real estate professionals (especially in the luxury market) know little about their buyers and until now, were not legally required to identify them.

According to the NY Times, nearly 1/2 of the homes nationwide are purchased using shell companies (and in Manhattan and Los Angeles the figure is higher).

According to the NY Times, condominiums at Time Warner Center were found to have a number of hidden owners, who had been subject of investigations including: Russian Senators, British Financier(s), a Former Governor from Colombia, a businessman tied to the Malaysia Prime Minister and in Boca Raton, Florida a condominium tied to Mexico's top housing official (now running for Governing of the Mexico Southern State of Oaxaca).

Money Laundering

Money Laundering is the disguise of the nature or other origin of funds. It includes the transmutation of tax evasion proceeds into personal assets or 3rd party distributions. Money laundering is a felony with a 20-year jail term (18 USC 1956, 1957. If the funds are transferred by wire transfer or mail, each is a separate 20-year felony (wire fraud 18 USC 1341, mail fraud 18 USC 1341).

Taxpayers who either commit tax crimes 4 separate felonies for tax evasion/ total 16 years in jail (see IRC 7201 tax evasion, 5 years in jail, IRC Sec. 7212 obstruct tax collection, 3 years in jail, 18 USC 371 conspiracy to commit tax evasion, 5 years in jail, or fail to intentionally file tax returns IRC 7206, 3 years in jail) or who conspire to commit tax evasion with another (known as a Klein conspiracy) face 5 years in jail.

The tax involved may be any tax due: income, employment, estate, gift or excise taxes (see US Dept. of Justice, Criminal Tax Manual Chapter 25, 25.03(2)(a). Under the money laundering statutes the IRS is authorized to assess a penalty in an amount equal to the greater of the financial proceeds received from the fraudulent activity or $10, 000 (18 USC 1956 (b). This authority is granted by statute to the IRS and is enforced either by civil penalty or civil lawsuit.

Violation of statutes for mail fraud, wire fraud, and money laundering are punishable by monetary penalties, as well as civil and criminal forfeitures (See 18 USC 981 (a) (1) (A) which permits property involved in a transaction that violates the money laundering statutes 1956, 1957, 1960 to be civilly forfeited).

For those US taxpayers who either commit tax evasion, are involved with international tax evasion (with foreign persons) and money laundering (i.e. use the tax evasion proceeds to buy assets e.g.. real estate) they face criminal prosecution for tax evasion (16 years in jail for tax crimes i.e. 4 separate tax felonies), money laundering (20 years in jail), and wire/mail fraud (20 years in jail each).
In the US Supreme Court case Pasquantino (544 US 349/2005), the Court held that a foreign government has a valuable property right in collecting taxes, and that if the tax evasion proceeds are used to purchase assets the parties involved face criminal prosecution for tax crimes and money laundering, wire/mail fraud.

Under US laws, a violation of the money laundering statutes includes a financial transaction involving the proceeds of a specified unlawful activity (SUA), i.e. a “predicate offense” with the intent to:

1) Promote that activity;

2) Violate IRC sec. 7201 (willful attempt to evade tax);

3) Violate IRC sec. 7206 (which criminalizes false and fraudulent statements made to the IRS).

Under Pasquantino, the court held that “international tax evasion” (taxes due to a foreign governments) is a predicate offense (as well as taxes due the US or State governments), for money laundering and may be criminal prosecuted for all of the above (i.e. tax evasion, money laundering, mail/wire fraud). In Pasquantino the unpaid Canadian excise taxes and the purchase of assets (with those proceeds) are tax fraud, which satisfy the SUA requirement for money laundering and may include criminal prosecution for wire/mail fraud.

See: NY Times 1/13/16 article by Louise Story, “US Will Start Tracking Secret Buyers of Luxury Real Estate”