

Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND) at Senate Finance Committee Hearing – “The Cayman Islands and Offshore Tax Issues” July 24, 2008

In a previous life I was Tax Commissioner of my state, and for two terms, Chairman of the MultiState Tax Commission. During the Reagan administration I served on a commission on the taxation of multinational corporations so I have spent a significant amount of time on these very issues. And during my time as Tax Commissioner, I was responsible for overseeing the audits of hundreds of multi-nationals.

Somebody might wonder why somebody from North Dakota would be engaged in looking at the books and records of large multi-nationals. It turns out North Dakota is a large oil and gas state so we have nexis with many large oil and gas companies, as well as grain companies. I can remember very well one audit that we did pursuing a grain company. We found the grain traded hands about a dozen times before it left the United States. One shell company to another shell company and it finally disappeared offshore -- we could no longer pierce the veil when it got to the Caymans. And this was not done for business purpose. This was done for the purpose of avoiding and evading legitimate U.S. tax.

So this is not an academic question to me. I have seen it with my own eyes. I have seen it repeatedly. I have seen it in very very substantial amounts. I may still be bound by certain settlement agreements that I entered into when I was Tax Commissioner, so there are things I can't say. What I can say is that it was shocking. I mean absolutely shocking what I saw going on, and there is absolutely no question, none, that this was done to avoid and evade legitimate U.S. tax.

On the question of how big this is. The ranking member of the Committee references statements, I think he was referencing statements I made on the floor, that there are hundreds of billions of dollars involved here. I don't think there is any question about that. None. Why do I say that?

We have the Permanent Subcommittee on Investigations who have determined that in their belief it is \$100 billion a year that we are losing. This is just on offshore tax havens, \$100 billion a year. If you pierce the veil, you read the story, they talk about UBS alone having \$20 billion in assets in undeclared accounts for U.S. taxpayers. That's one financial entity has \$20 billion in undeclared accounts. Why are they undeclared? They are undeclared for a reason. The reason is they don't want to pay taxes. They don't want to pay their U.S. taxes. How do we know that? Well let's go to the web.

It is very instructive to go to the web. It is amazing what you find. Punch in “offshore tax havens.” Here is what you will find. Last time I gave a speech on the floor I talked about you getting a million hits. Not anymore. Now it is almost two million offshore tax haven hits. Let's go and let's just read what they are telling us. You know, this is not hard to figure out because they are telling us what they are doing. It is right there for anybody to read who cares.

What do they say? “Index of Offshore Investment Resources.” This is my favorite: “Your money belongs to you, and that means that it belongs offshore.”

“Live Tax Free and Worldwide On a Luxury Yacht - Moving Offshore and Living Tax Free Just Got Easier - Live Tax Free and Worldwide On A Luxury Yacht.” And then they say, “Exciting Stuff!” That’s exciting stuff.

The problem with it is all the rest of us, the vast majority of us, who pay what we legitimately owe, are getting cheated, and we’re getting cheated big time. This is not academic to me. I have seen it with my own eyes. I know this is going on and it has grown dramatically since I was in the business of trying to enforce tax laws.

Excerpted Questions and Answers between Senator Conrad and witness Jack Blum of Baker Hostetler, noted expert on international financial crime, money laundering, and tax evasion:

Conrad Question:

Do you think this is a minor issue, or do you think there is a hemorrhage going on?

Blum Answer:

It is a huge issue. There is a hemorrhage going on. There is no question about it. The amazing thing is even though there have been sporadic attempts to bring it under control, and some valiant efforts by people inside IRS, the problem grows rather than shrinks.

Conrad Question:

Mr. Blum, the estimate of the special Subcommittee on Investigations says we’re losing \$100 billion a year, just on offshore tax havens. Do you believe that is credible?

Blum Answer:

I believe that is low and conservative.

Conrad Question:

On what basis do you believe it is low?

Blum Answer:

If you take a look at the amount of money in the private banking world and the analyses that have been put forward of offshore jurisdictions and then estimates of where the people who are using these facilities are – these are all available – the numbers are enormous. If you look at UBS, \$20 billion and 19-thousand customers in one offshore bank, and remember there are hundreds competing for this business, you have to believe these numbers are very large indeed.