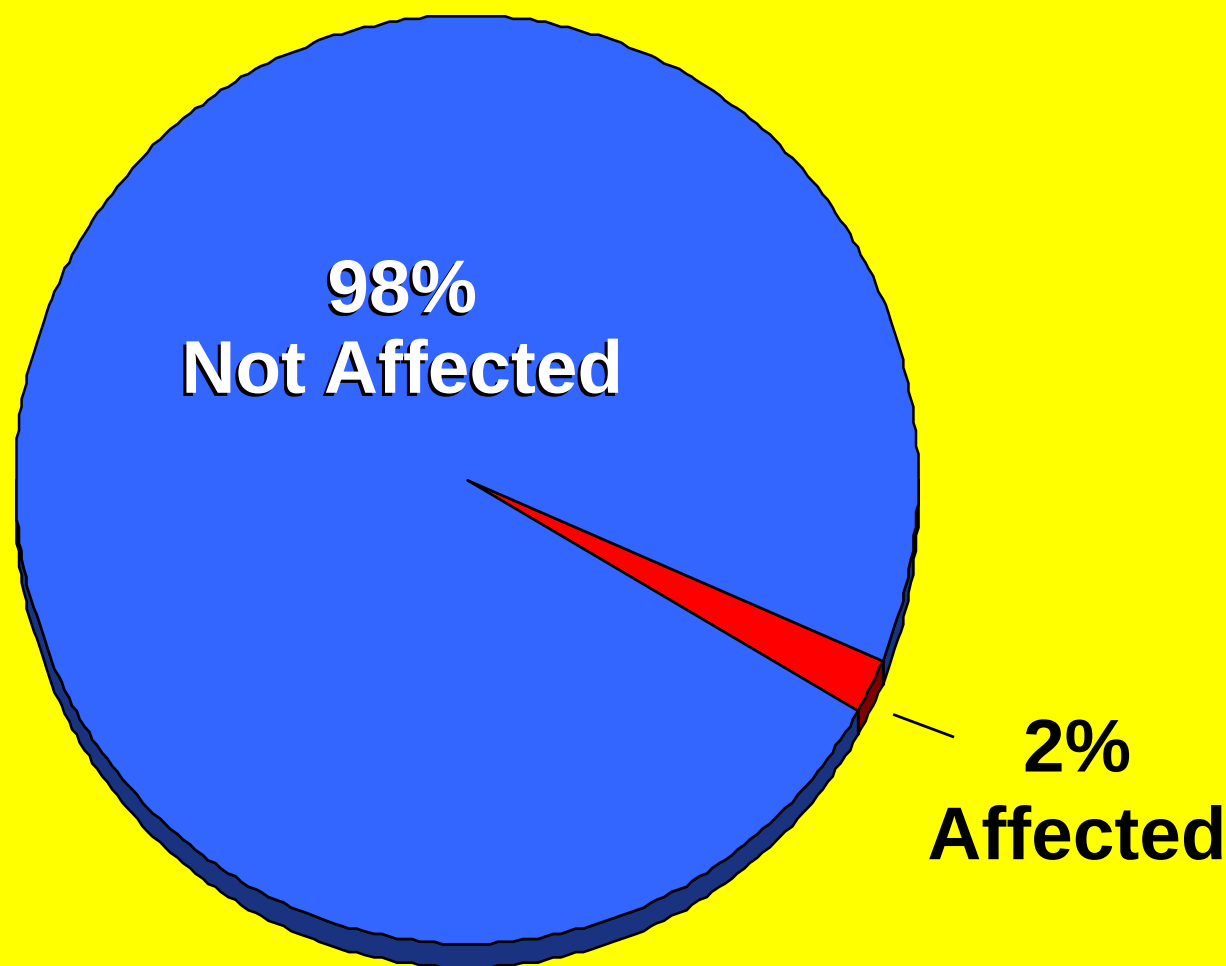


Revenue Changes in Budget Resolution

	<u>2010-2014</u>
Middle-Class Tax Relief	-\$512 B
- 10% bracket	- Child tax credit
- Marriage penalty	- Education incentives
- All other 2001 and 2003 cuts for those under \$250,000	
AMT Reform	-\$214 B
Estate Tax Reform	-\$72 B
Extenders, Other	-\$63 B
Subtotal, Tax Relief	-\$861 B
Loophole Closers, Raisers	\$97 B
Total Tax Cuts	-\$764 B

Source: SBC

Only 2 Percent of Taxpayers with Small Business Income are Affected by Top Rate Changes



Under GOP Definition, Cheney Qualifies as “Small Businessman”

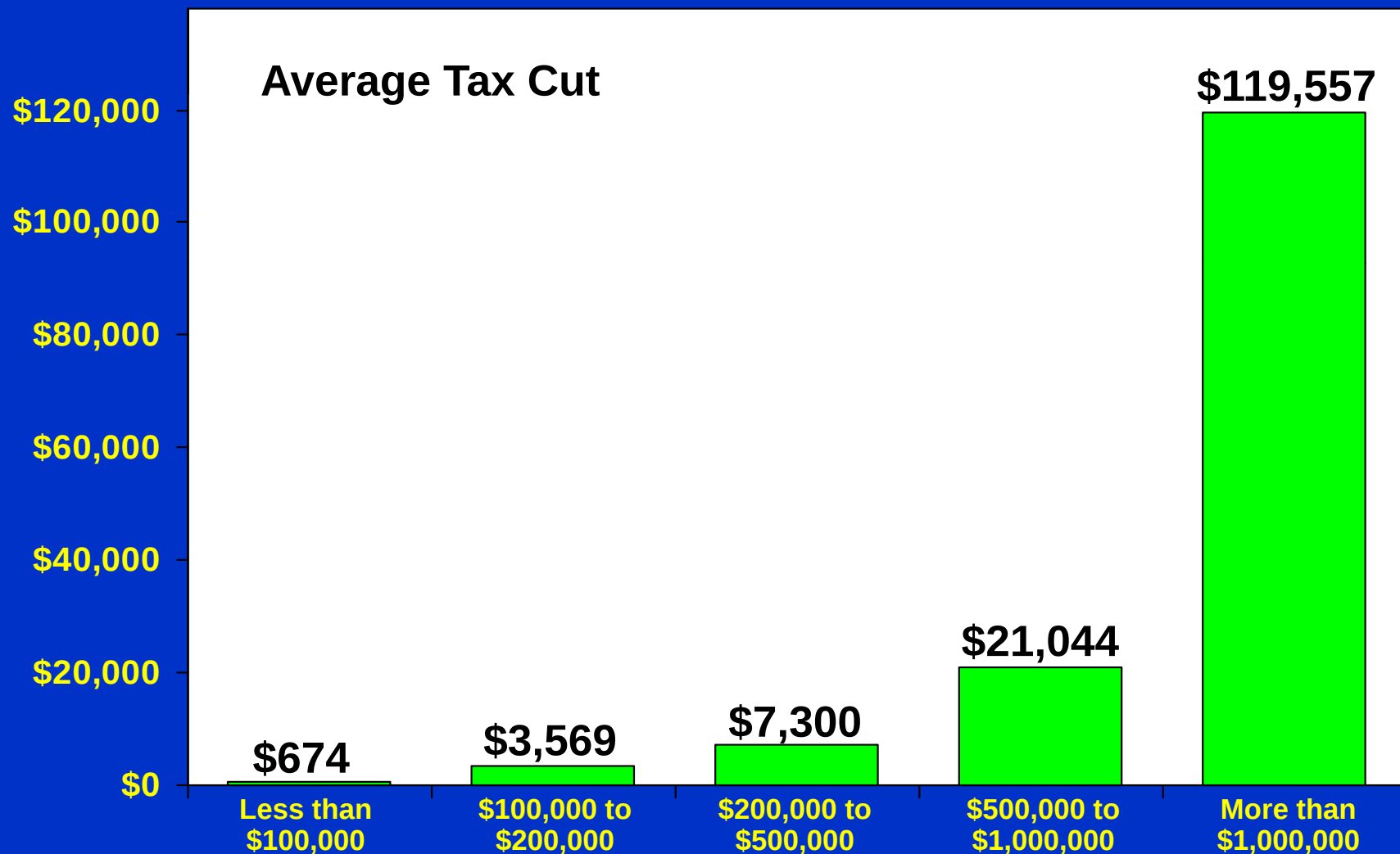
Under GOP Definition, Any
Taxpayer with Any Small
Business Income Qualifies
as a “Small Businessman”



2007 Income **\$3,042,757**

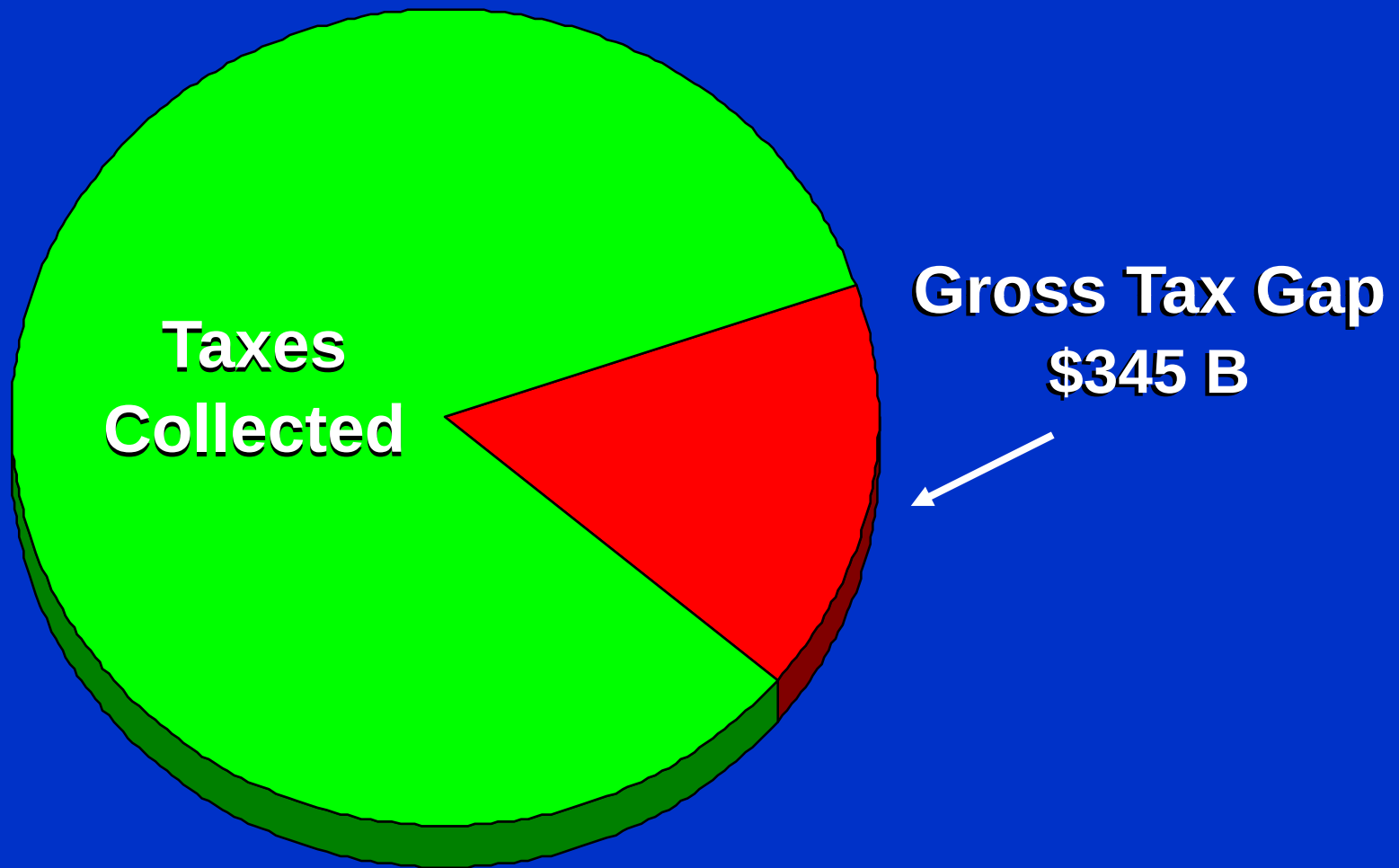
“Small Business” Income **\$180,976**

Millionaires Got More Than \$100,000 From Bush Tax Cuts in 2007



Source: Urban-Brookings Tax Policy Center

IRS Estimates \$345 Billion Annual Tax Gap



Source: IRS estimate of 2001 tax gap, February, 2006

Offshore Tax Haven Abuse Proliferating

“Experts have estimated that the total loss to the Treasury from offshore tax evasion alone approaches \$100 billion per year, including \$40 to \$70 billion from individuals and another \$30 billion from corporations engaging in offshore tax evasion. Abusive tax shelters add tens of billions of dollars more.”

**– Press Release
Senate Homeland Security and
Governmental Affairs Permanent
Subcommittee on Investigations
February 17, 2007**

A 2nd Inquiry Hits UBS, Pressed for 52,000 Names

By LYNNLEY BROWNING

The UBS memo was blunt: the “Swiss solution” could help affluent Americans.

That message, sent to the bank’s executives in July 2004, referred to a UBS plan to help rich customers evade taxes by hiding money in offshore havens like the Bahamas.

The memo, along with dozens of e-mail messages like it, were disclosed on Thursday in a blistering court document filed by the Justice Department, which sought to compel UBS, based in Switzerland, to divulge the identities of 52,000 Americans whom the authorities suspect of using secret offshore accounts at the bank to dodge taxes.

The move opened a new, unexpected front against UBS, which a day earlier had agreed to pay \$780 million to settle claims that it defrauded the Internal Revenue Service, and against Switzerland’s long tradition of banking secrecy.

The number of clients the authorities are seeking to identify is far higher than previously believed, raising new questions about the scale of UBS’s activities and the number of Americans who could be snared in the investigation. Federal authorities initially focused on 19,000 accounts, and UBS turned over about 250 names on Wednesday. That figure now seems certain to grow.

The court document alone dealt a stinging blow to UBS, whose corps of private bankers discreetly tend the fortunes of billionaires and multimillion-

aires. Filed in a Miami court, the papers provide a rare inside look at the secretive ways of Swiss banking.

The 2004 memorandum, for instance, described how UBS created hundreds of “dummy” offshore corporations where its clients could hide money from the I.R.S. An e-mail message sent that year captured some of the coded language used by UBS bankers. In their world, “one nut” meant \$250,000, while “one swan” meant \$1 million. Colors them to gain access to their accounts and transfer money secretly. The passwords changed each time the accounts were accessed.

In the criminal investigation that led to this week’s settlement, the Justice Department had zeroed in on about 19,000 wealthy Americans. Those UBS customers had a combined \$20 billion in assets at the bank, and may have evaded \$300 million a year in federal taxes through UBS’s undeclared offshore private banking services.

But the I.R.S. has been conducting a parallel investigation, and on Thursday the Justice Department asked a federal judge to require UBS to disclose to the I.R.S. the identities and records of the 52,000 clients. In the past, UBS has suggested that the 19,000 accounts under investigation, which it is now closing, were the extent of its undeclared offshore banking services.

UBS, the world’s largest private bank, said it would vigorously challenge the efforts.

As part of Wednesday’s settlement, the Justice Department received the names and bank records of about 250 wealthy American clients of UBS. According to people briefed on the matter, the department was preparing to indict several on charges of offshore tax evasion. A Florida federal judge is expected to approve the enforcement request in three to six months, which allows UBS time to appeal and ask for extensions.

If UBS does not comply with the approved summons, it could be in default of its deferred prosecution agreement, potentially opening itself and its senior executives to indictment.

Samuel Buell, who helped to prosecute Enron and now teaches criminal and securities law at Washington University in St. Louis, said that UBS’s declaration that it would fight the government’s latest efforts suggested the bank was caught in a bind. Federal prosecutors want it to lift the veil of Swiss banking secrecy, but Swiss financial privacy laws punish the disclosure of client names.

Five-Story Cayman Islands Building That 18,857 Companies Call Home



Most of Largest U.S. Corporations Have Subsidiaries in Tax Havens

- **83 of 100 largest publicly traded U.S. corporations have subsidiaries in tax havens. And 42 of these companies have subsidiaries in 10 or more tax havens.**
- **63 of 100 largest U.S. federal contractors have subsidiaries in tax havens. And 33 of these companies have subsidiaries in 10 or more tax havens.**

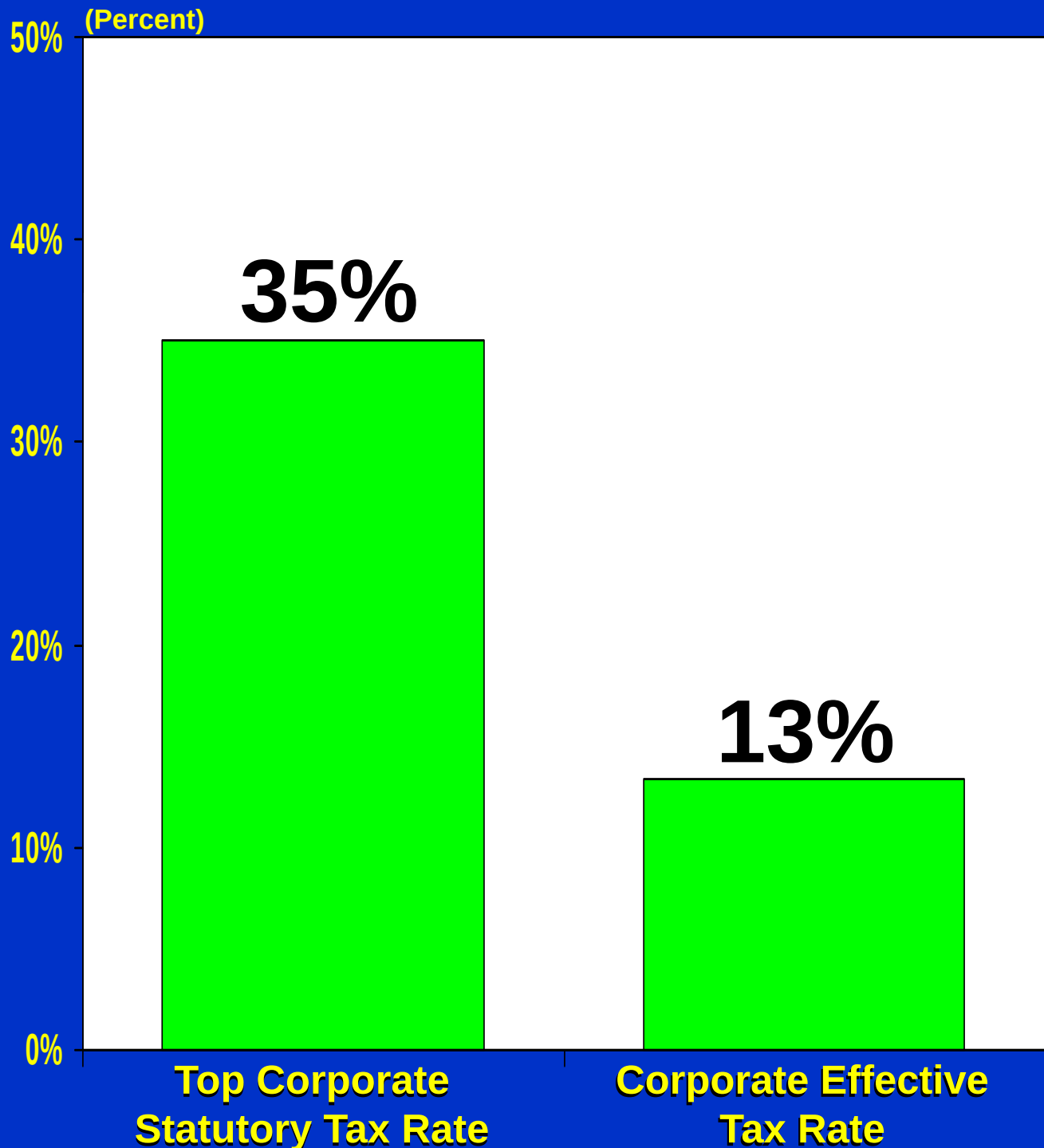
**–Government Accountability Office (GAO) Report
“Large U.S. Corporations and Federal Contractors With Subsidiaries in
Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions”
December 2008**



The Need for Tax Reform

- Tax system out of date and hurting U.S. competitiveness
- Hemorrhaging revenue – tax gap, tax havens, abusive shelters
- AMT problem threatening millions of middle-class taxpayers
- Long-term imbalance must be addressed
- Simplification and reform keep rates low

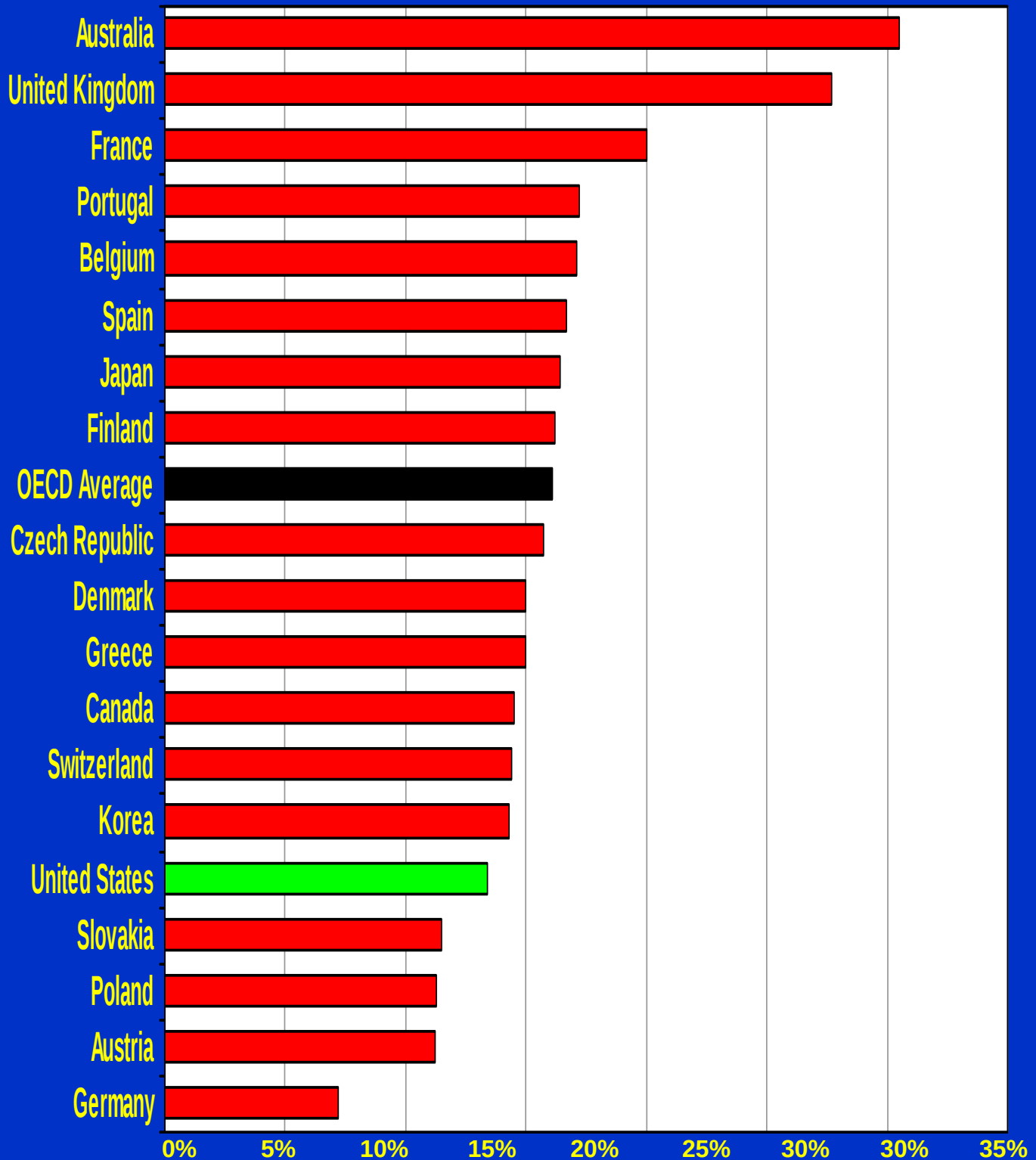
Corporate Effective Tax Rate Much Lower Than Statutory Rate



Source: OECD

Note: 2000-2005 average

Corporate Effective Tax Rates 2000-2005 Average



Source: OECD