

**Different from You and Me:  
Tax Enforcement and Sophisticated Tax Evasion by the Wealthy**

Jeanne Bomare, PSE    Daniel Reck, LSE

BEVERIDGE 2.0 TAX JUSTICE SYMPOSIUM

## Background: Conventional Wisdom vs. Headlines

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The New York Times

## *Ex-UBS Banker Pleads Guilty in Tax Evasion*

By Lynnley Browning

June 20, 2008



THE UNITED STATES  
DEPARTMENT OF JUSTICE

Credit Suisse Pleads Guilty to Conspiracy to Aid and Assist U.S. Taxpayers in Filing False Returns

**Bloomberg**

## **Butterfield Bank Admits It Helped Americans Evade U.S. Taxes**



BUSINESS NEWS DECEMBER 10, 2019 / 8:53 PM / UPDATED 2 YEARS AGO

HSBC Swiss unit to pay \$192 million in latest U.S. tax evasion deal

**Forbes**

Accountants Plead Guilty On \$1.2 Billion In Bad Charitable Deductions

THE WALL STREET JOURNAL.

TAX REPORT

## **The IRS Reels in a Whale of an Offshore Tax Cheat—and Goes for Another**

The U.S. pulls back the curtain on the shadowy world of wealthy American tax evaders

## This Paper

- How has recent research changed our understanding of tax evasion by high-income/high-wealth individuals?
- How should we design tax enforcement policy targeting the high-income/high-wealth population?
  - Review policy interventions throughout tax enforcement process & existing evidence
  - Case studies: offshore wealth, conservation easements

## Defining Tax Evasion and Tax Avoidance

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  - See also **non-compliance** and **tax planning**
- When there is *uncertainty* about what the law allows:
  - Legal definition of avoidance may include non-compliant positions
  - We call this *grey-area* avoidance going forward

## Prior Economic Thinking on Tax Evasion

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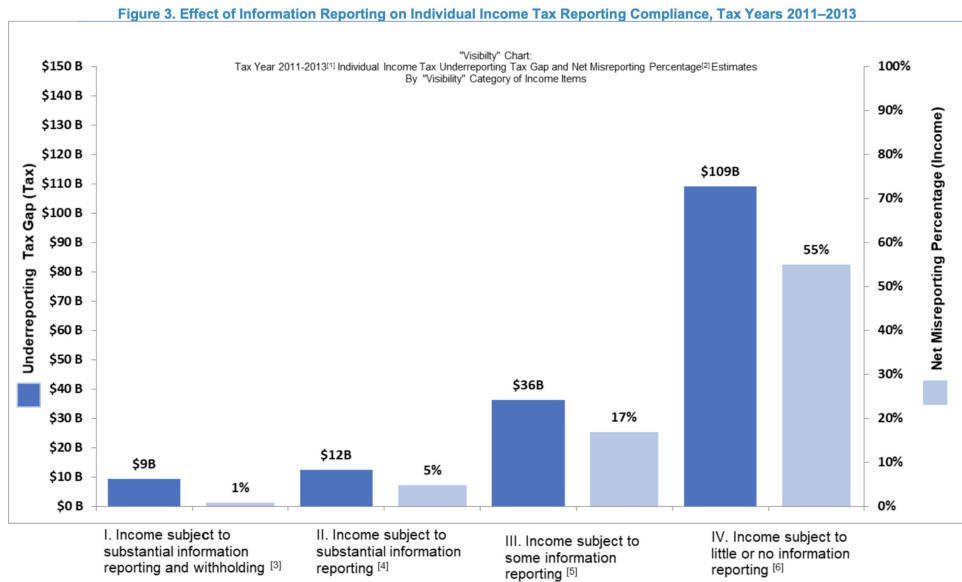
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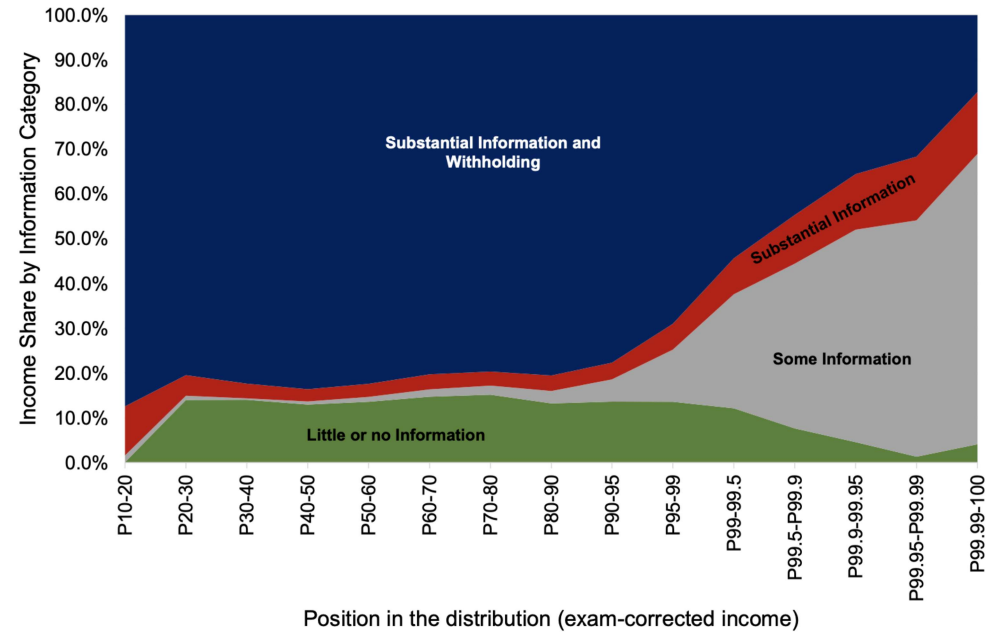
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- Recent work on importance of sophisticated evasion at the top.
  - Scandinavia: Alstadsaeter Johannesen Zucman 2019
  - US: Guyton et al 2021

# Information, Compliance, and Income

## A) Information and Compliance

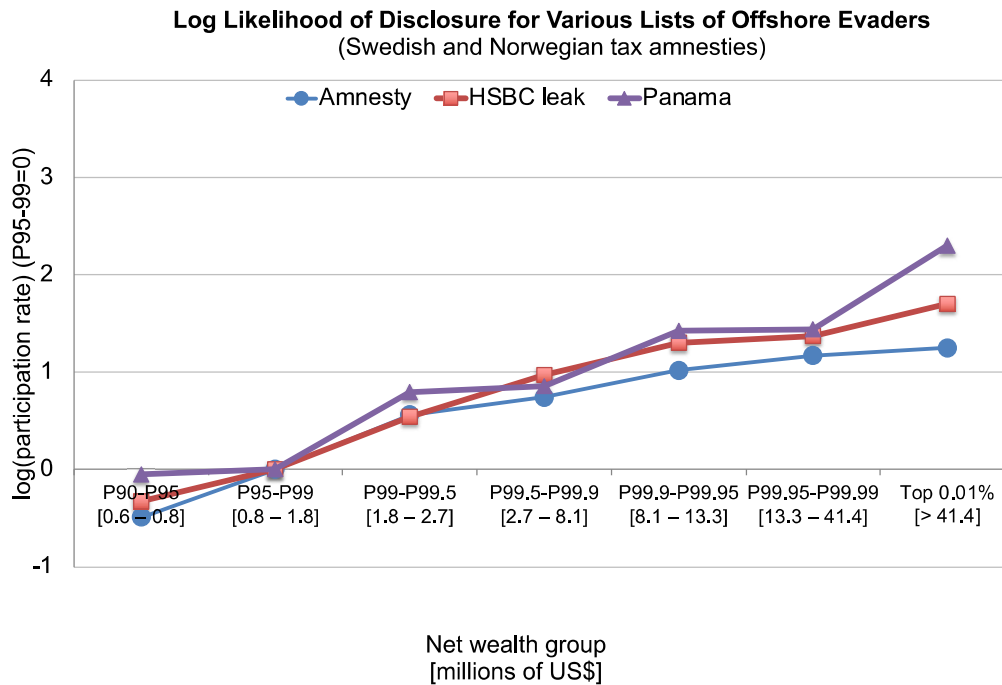


## B) Information and Income

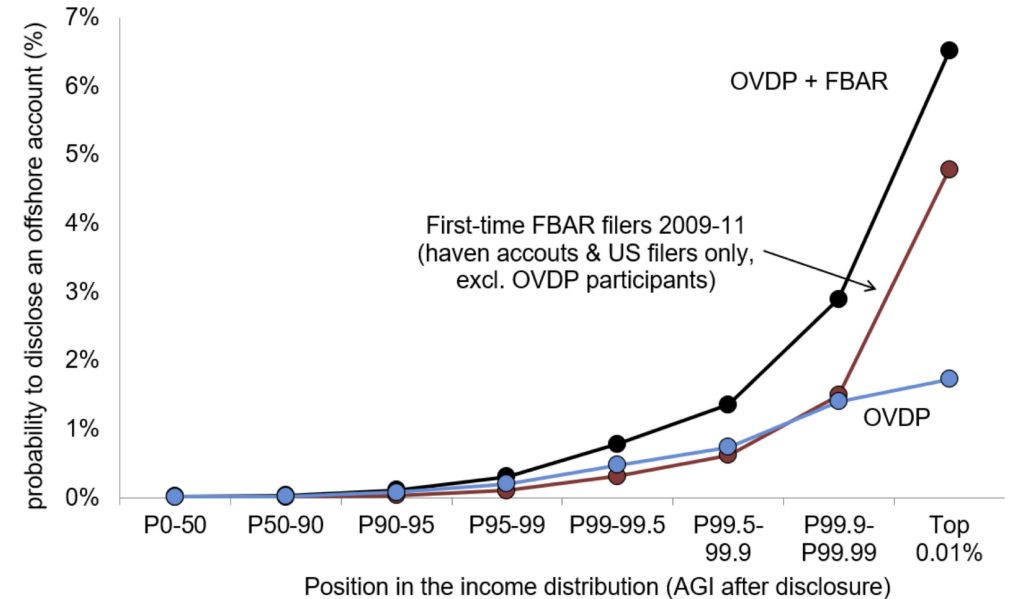


# New Evidence: Offshore Wealth

## A) Scandinavia



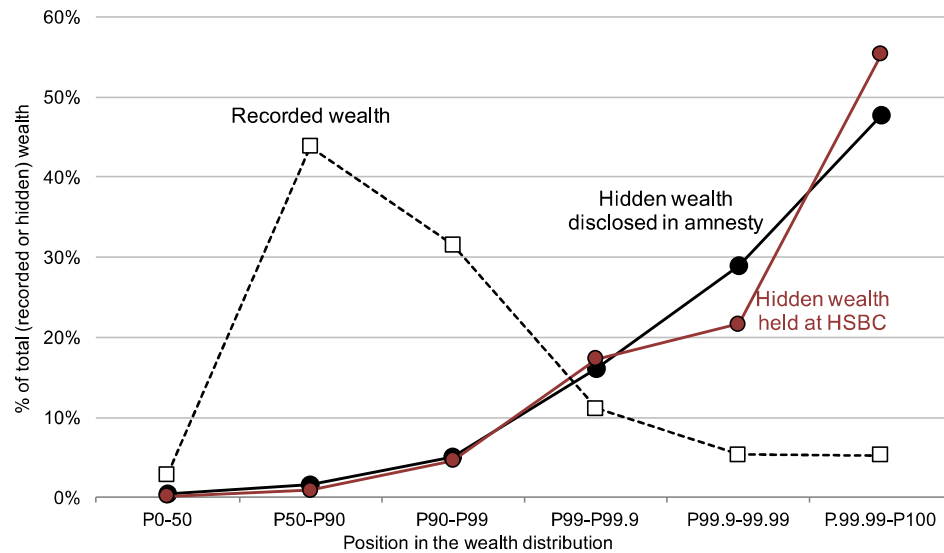
## B) US



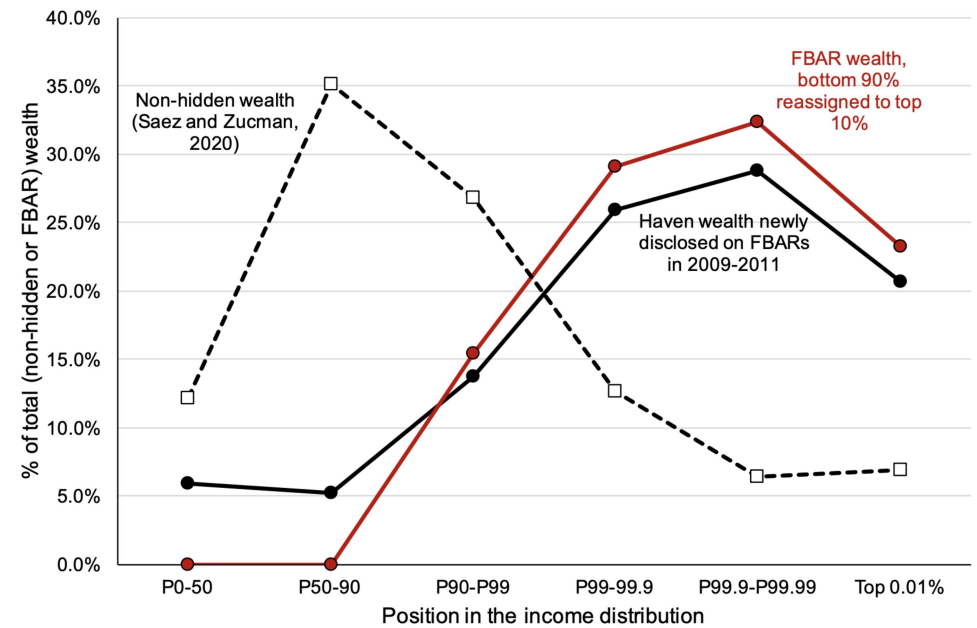
- Higher participation at the top for every list of disclosers
- Voluntary/Amnesty less steep than other lists

# Offshore wealth in tax havens is extremely concentrated

## A) Scandinavia

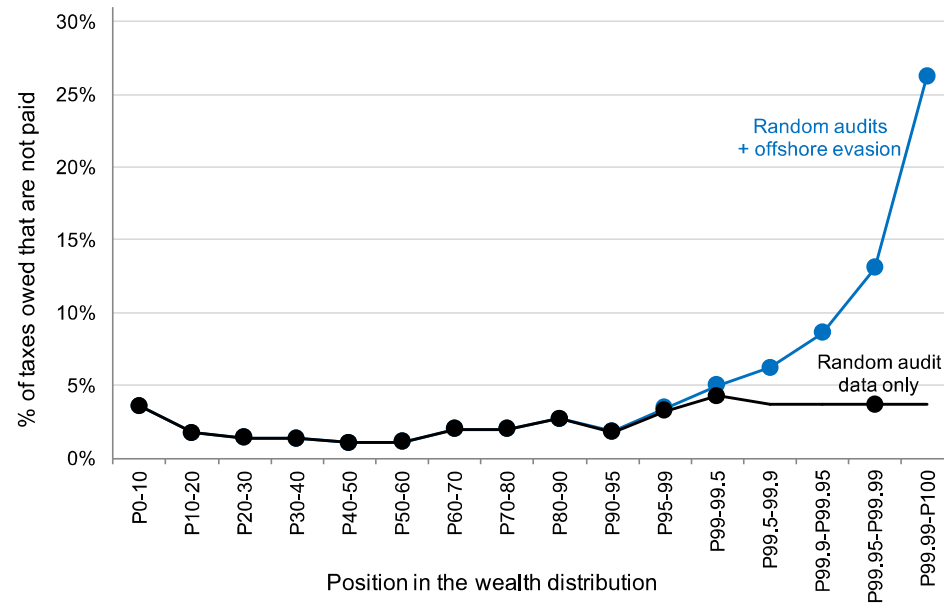


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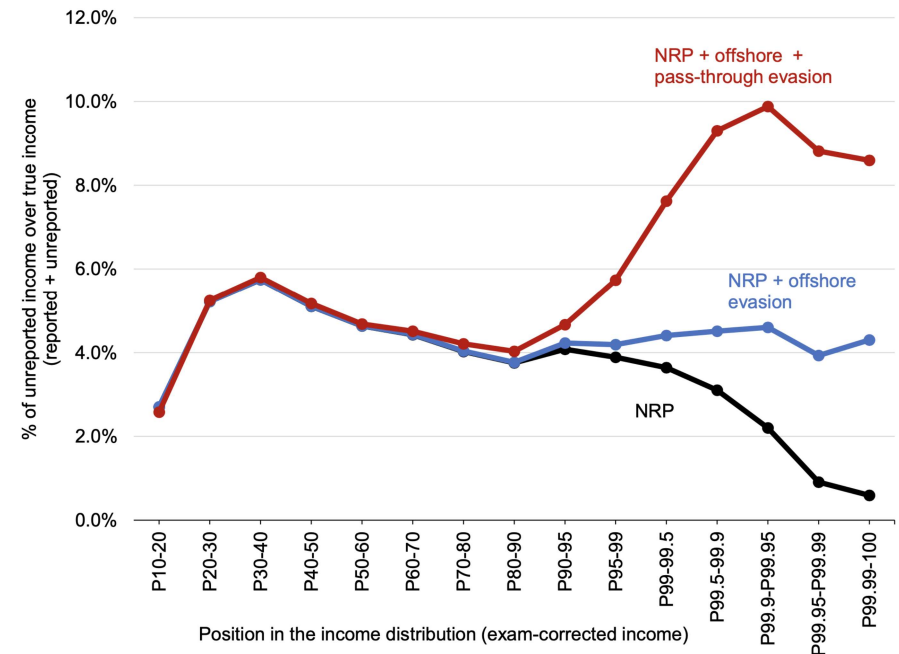


# Sophisticated evasion changes our macro understanding of evasion

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## B) US



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- **Profit shifting is globally large:** 36% of multinationals' profits shifted to tax havens
- This is usually called **avoidance** but enforcement matters.
  - Related party transactions facilitate shifting
  - Valuing assets in these transactions creates grey areas
  - $\implies$  disputes are common

# A Typology of Policy Interventions

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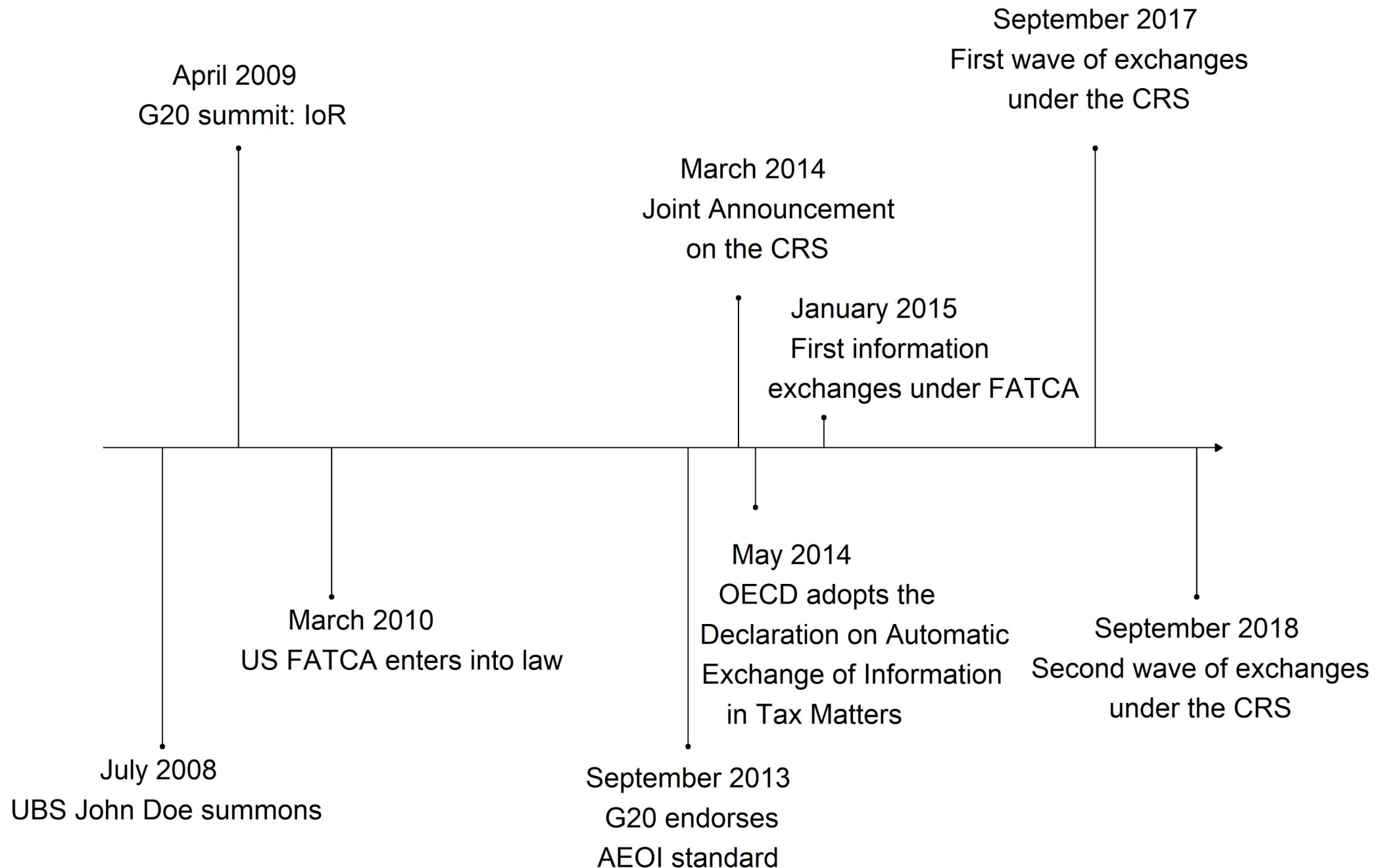
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<b>Disputes and litigation</b>	<ul style="list-style-type: none"> <li>● Resources available</li> <li>● Selection of cases/issues to litigate</li> </ul>	<ul style="list-style-type: none"> <li>● Staffing skilled litigators</li> <li>● Litigating through complexity</li> <li>● Optimizing revenue/deterrence</li> </ul>

# Case Study: Cracking Down on Offshore Wealth



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Broad empirical insight: ample evidence of **sophistication** and **calculated risk-taking**

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- US government loses  $\approx$  \$3 billion per year in tax revenue while the fight plays out
- A costly tool, probably the only one available without new legislation

## Conclusion

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  - ...but progress is possible (e.g. offshore case).
- **Collaboration** between tax authorities and researchers is also a policy tool!