

IRS Drops 1040 Bank Interest

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Internal Revenue Service Commissioner Donald C. Alexander has decided he will no longer require taxpayers to disclose on their 1040 forms whether they have secret foreign bank accounts.

The unannounced ruling means that a key question about foreign bank accounts that has been on individual income tax forms since 1971 will be omitted on the 1975 returns.

The question added to the tax form as the result of congressional hearings in 1970, was once billed as a major tool in discovering illegally concealed funds.

Alexander said in an interview that there was insufficient space for the foreign account question on the tax form because of demands for other tax information.

Kills Foreign Accounts Question

But Sen. William Proxmire (D-Wis.), chairman of the Senate Banking Housing and Urban Affairs Committee, said Alexander's decision "clearly runs contrary to the intent of the Bank Secrecy Act," designed to curb illegal use of foreign accounts.

Rep. Henry S. Reuss (D-Wis.), chairman of the House Banking, Currency and Housing Committee, noted that the question on the tax form paralleled the purpose of the 1970 Bank Secrecy Act.

"If the declaration on the tax form is being deleted, we will certainly want to know what justification can be offered for doing so," Reuss said.

Alexander's ruling has come at a time when he is

under congressional scrutiny concerning enforcement of criminal tax laws, especially alleged abuses by U.S. taxpayers of secret Caribbean bank accounts.

Missing from the 1975 form will be a section at the end which required the taxpayer to answer "yes" or "no" to this question:

"Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)?"

If the taxpayer checked the "Yes" box, he was instructed to attach an additional schedule giving details

The foreign bank question was proposed by the Treasury Department in 1970 as an outgrowth of discussions with House banking committee members who were seeking to curb alleged widespread misuse of Swiss bank accounts by U.S. racketeers and others.

Under the Bank Secrecy Act, which Congress passed later that year, the Treasury Secretary was empowered to require U.S. banks to keep more voluminous records of their domestic and foreign transactions.

Proxmire, a chief Senate proponent of the act, called Alexander's action "disappointing." A source on the House banking committee said, "If we had known the foreign bank question was going to be this tenuous, we would have sought to include it in tax legislation."