

Help for Tax Cheats



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OVER THE strong protests of his own enforcement officials, Internal Revenue Commissioner Donald Alexander last year struck a key question off the income tax forms. The question, which simply asked the taxpayers whether they maintained a foreign account, was intended to catch tax evaders.

Big-time criminals, from corporate embezzlers to mobsters, use secret foreign bank accounts to escape paying U.S. taxes. The taxes they avoid, of course, must be made up by the honest taxpayers.

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THE QUESTION about foreign bank accounts has been used by the IRS to trap tax cheaters. Yet Alexander began maneuvering to remove the foreign bank account question from the tax form even before he was sworn in as Internal Revenue commissioner. It is an interesting coincidence that his former Cincinnati law firm has been linked to a tax haven bank in the Bahamas.

An IRS informant in the Bahamas swiped a Rolodex off the desk of Michael Wolstengroft, director of the Castle Bank and Trust. Three cards on the Rolodex contained names of lawyers in Alexander's old firm. We were able to reach only one of the attorneys, who said he had no idea how his name got on the Rolodex.

On May 22, 1973, exactly one week

before Alexander took his oath of office, he began a behind-the-scenes campaign to eliminate the foreign bank account question from the tax forms. He forwarded a letter, dealing with an unrelated subject, from a South Carolina lawyer to the IRS committee that deals with tax forms. In an accompanying memo, intended for official eyes only, Alexander brought up the foreign bank account question.

He followed the memo with pressure to remove the troublesome question from the tax forms. This was opposed by his enforcement people. John Olszewski, then the IRS intelligence chief, wrote in a confidential memo: "The loss of this (question) would seriously restrict our efforts to identify those who would use foreign banking facilities in avoidance and evasion schemes."

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YET ALEXANDER ignored the advice of the law enforcement experts and finally succeeded in removing the question in June, 1975. The notes of the confidential IRS meeting indicate that he didn't even consult the Treasury and Justice Departments before finally striking the question off the tax forms.

Alexander's attitude was betrayed by his remarks to a group of public accountants. "We have knocked out the foreign bank account question at long last," he told them.