

# U.S., Bahamas Talk Tax Treaty

## Washington

The Treasury and State Departments have begun what promises to be controversial negotiations toward a possible tax treaty with the Bahamas, it was learned yesterday.

If adopted by both countries, such a treaty could hasten the end of offshore tax shelters, which authorities say have cost the U.S. government hundreds of millions of dollars.

Under such an agreement, the Bahamian government could be called upon by the Internal Revenue Service to provide details of Americans' financial dealings in the islands. This could remove some of the attractiveness of foreign trust accounts that wealthy U.S. citizens have opened in recent years.

But how tough the treaty will be in its final form is uncertain. Some U.S. authorities fear the

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## The Champion Collard-Eater

Ayden, N.C.

A Winterville, N.C., carpenter and vegetarian has been proclaimed "collard-eating champion" after gulping five pounds of collard greens in 30 minutes

*United Press*

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Bahamas may insist on a "cosmetic" agreement that gives the appearance of cooperation but still leaves intact its strict bank secrecy law.

That 1966 statute, long considered an obstacle by U.S. tax investigators, provides criminal penalties for any banker in the Bahamas who discloses information about a customer's account.

The Bahama Islands, which gained independence from Great

Britain in 1973, have attracted billions of dollars in U.S. investments because there are no income taxes or estate taxes.

Foreign trust accounts held by U.S. citizens can therefore generate profits that are not taxable, unless these profits are brought back to the United States.

The congressional tax reform bill as recently approved by conferees would change this, making foreign trust accounts fully taxable. The bill has not yet passed Congress.

The United States now has tax treaties with 35 countries providing for an exchange of taxpayer information that can be used in civil and criminal cases. But because the Bahamas has no tax system, it presumably would have little to gain from an information exchange program.

*Los Angeles Times*