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Stop Tax Haven Abuse Act - Proposed Legislation

On March 12, 2009, Senator Max Baucus (D-MT), chairman of the Senate Finance Committee released a separate, draft bill (the "Baucus Bill") for circulation.

The Baucus Bill emphasizes third party reporting and provides the IRS with additional enforcement powers intended to detect and deter offshore abuses. Among other provisions, the Baucus Bill would (1) require financial institutions transferring more than \$10,000 to an offshore account for the benefit of a United States taxpayer to report such transaction; (2) extend the statute of limitations on assessment from 3 years to 6 years for certain transaction (a provision also in the STHAA), (3) require that Treasury Department Form TD F 90.22-1, Report of Foreign Bank and Financial Accounts, be filed with a tax return; (4) create deemed distributions from foreign trusts when a United States beneficiary uses certain trust property, including real estate, artwork, and jewelry (a similar provision in the STHAA); and (5) increase reporting requirements and related penalties. The most striking difference between the STHAA and the Baucus Bill is the divergent approaches to creating a "black list". The Baucus Bill does not contain such a list.