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OPINION

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Guest Column by **Robert Mazur**

## *I've seen first-hand how an understaffed IRS has trouble catching major tax cheats | Column*

I can tell you why the IRS needs those agents to outwit the rich who evade paying their fair share.



Since 2010, the enforcement budget of the IRS has been cut by 31%. The enforcement side of the IRS house includes revenue agents and special agents (criminal investigators) who otherwise are dedicated to investigating big-time tax cheats. [ PATRICK SEMANSKY | AP ]

The average American doesn't have an army of international bankers and accountants conspiring with him to hide his wealth or create phony expenses that hide his income. He certainly doesn't have a gaggle of politicians pulling for him. But the rich have vote-hungry elected officials who often distort the appearance of what would be done with resources needed by the IRS to combat big-time tax evaders. The services of shady bankers, slippery accountants and fact-twisting legislators are reserved for the

wealthiest, who often also happen to be big-time “dark money” contributors to Super PACs.



Robert Mazur stands in front of the private jet he used during the operation when he worked undercover inside the Medellin Cartel. [ Courtesy of Robert Mazur ]

I'm a long-time registered Republican, and I know the reality. The most important arm of the IRS, the criminal division, has been under attack for more than a decade. In my career, I helped bring down drug barons and money launderers, but the first 11 of my 27 years as a criminal investigator were with the IRS criminal investigation division. I was drawn to working for that agency in 1971 when I learned that it was the special agents of the IRS who pieced Al Capone's criminal fortune together and put him behind bars for income tax evasion.

Since 2010, the enforcement budget of the IRS has been cut by 31%. The enforcement side of the IRS house includes revenue agents and special agents (criminal investigators) who otherwise are dedicated to investigating big-time tax cheats. While Republicans controlled the Senate, the audit rate of U.S. corporations with over \$20 billion in assets was cut by 50%, and audit rates of individuals earning \$1 million or more fell from 8.4% to 2.4%. The bottom line is, the Americans with the most wealth no longer have much concern if they evade paying their fair share.

In 1971, the criminal division of the IRS went after the biggest drug traffickers, organized crime members, corrupt politicians, and corporate tax cheats in the world.

Our cases were front-page stories that set a bar for the American public. Those headlines created an atmosphere of voluntary compliance nationwide. Americans recognized that, if the IRS can get those mega-criminals, they can get anyone. We didn't harass the average American, but our work sent the message that it made more sense to pay your fair share than to run the risk of prosecution. In 1971, the IRS criminal investigation division had a staff of 2,500 agents that dealt with the corrupt portion of a nation that at the time had 400,000 millionaires.

Today, more than 50 years later, the IRS criminal investigation division has 2,200 special agents who battle with the dishonest portion of the more than 20 million millionaires who now actively evade income taxes. That doesn't include today's 788 billionaires in the U.S. that, like some of their mega-millionaire business associates, have an army of lawyers, accountants and financial service providers that hide their wealth all over the world.

While politicians with multi-million-dollar holdings have been neutering the IRS, the impact of their plan can be seen clearly in courtrooms throughout our nation. In 2010, before the IRS enforcement budget was gutted, there were 2,184 criminal convictions of tax cheats. In 2021, with a 31% budget cut to criminal investigators — who now face nearly 7 times as many millionaires and their protectors — criminal convictions of tax evaders dropped by 43% to 1,263.

There is clear evidence that there has been a global conspiracy afoot by some in the international banking and business community to help a portion of the richest in the world evade income taxes for many decades. At least eight banks, including some of the largest in the world, have pled guilty to conspiring with tens of thousands of super rich Americans to commit criminal tax offenses. Much of the evidence that uncovered these criminal conspiracies grew from former international bank employees who delivered it to the IRS and Department of Justice on silver platters. Without the luck of those whistleblowers walking through their door, the IRS didn't have the staff or resources to identify and attack these global conspiracies. The banks that have admitted to criminal tax conspiracies include:

Union Bank of Switzerland (UBS) — fined \$780 million.

- Deutsche Bank — fined \$553 million.
- Credit Suisse — fined \$2.6 billion.
- HSBC Bank USA — fined \$192 million.
- Weglin & Co.
- Bank Leumi — fined \$400 million.
- Bank Julius Baer — fined \$547 million.
- Banque Bonhôte & Cie SA, Ltd. — fined \$1.8 million.
- Rahn & Bodmer Co. — paid \$22 million.

The prosecutions of international banks for criminal tax fraud offenses have revealed an array of weapons they provide their wealthy clients. They provide them with offshore corporations to hide true ownership. They provide nominee directors and officers who front as beneficiaries of these off-shore companies. They send employees from Switzerland and other tax haven countries to the U.S. with encrypted computers so U.S.-based account holders can secretly review records of their holdings. They create fake loans to enable the repatriation of unreported income in a form that appears untaxable, and they even provide “burner phones” to U.S. clients that the clients are instructed to use in order to avoid any trace of calls.

Special agents of the IRS have unparalleled expertise in forensic accounting. They receive world-class training during the first six months of their employment. They’re trained in advanced tax and forensic accounting, criminal law, crypto and digital currency use and tracking, computer forensics, and other special skills. They work both independently and with other agencies, like the FBI and DEA, to piece together complex global financial crimes. Their priorities include major tax evaders of legal income, money launderers, public corruption, identity theft, narcotics traffickers, terrorist-financing and tracking oligarch assets to enforce sanctions against Russia.

The bottom line is that, IRS agents tasked with uncovering income tax evasion schemes by wealthy Americans that earn legal and illegal income are an important asset of an equitable tax system in our democracy. Absent their work, the wealthy will continue to get a free ride, and there will never be motivation across the board for voluntary compliance with tax laws. The average American will continue to pay his fair share of taxes, and suffer the consequences of a nation robbed of hundreds of billions in tax dollars that could otherwise produce revenue desperately needed to avoid deficit spending and the loss of important programs for US citizens in general.

I’ve seen first-hand how understaffed the IRS is when it comes to addressing major tax cheats. In 2016, along with two other whistleblowers, I provided detailed information about a U.S. citizen, an attorney, who hid more than \$50 million of his income from the IRS. In detailed reports, I and my fellow whistleblowers provided copies of nearly a dozen villas in Spain purchased by this tax cheat through foreign corporations.

We even provided records of a large quantity of gold bullion the tax evader bought with income hidden from the IRS. Beyond producing boxes of damning documents, we provided witnesses to whom the tax cheat proclaimed that he would never pay any taxes to the IRS. Roughly 7 years later, the IRS whistleblower’s office to whom we delivered all of the evidence has reported no action in this matter. They’re still fighting with this tax evader’s lawyers and accountants in an endless battle financed on his behalf with untaxed dollars. The IRS is simply now outgunned and out resourced in this and many similar battles.

More than half of the IRS staff is expected to retire in the next five years. With \$78 billion over 10 years from the Inflation Reduction Act, a net IRS employee increase, due to attrition, will amount to about 25,000, restoring total employees to what it was 10 years ago. These funds are also needed to add taxpayer service employees that answer

phones and tax questions from regular Americans and to upgrade 1960's technology. This additional funding was absolutely necessary to attempt to restore the IRS to serve the American people and ensure that the "fat cats" pay their fair share. Hopefully, Sen. Ted Cruz, the Texas Republican who has said: "I believe we should abolish the IRS," as well as some of his colleagues, will think twice before they attempt to scare the public into losing sight of the resources the IRS desperately and legitimately needs.

*Robert Mazur, a federal agent for 27 years, is a court-certified expert in money laundering related matters in both the U.S. and Canada. He is the New York Times best-selling author of "The Infiltrator," a memoir about the first half of his life undercover as a money launderer within Pablo Escobar's Medellin Cartel, and was an executive producer of the film by the same name. His new book, "The Betrayal," is a memoir about his final undercover assignment, a deep dive into Colombia's Cali Cartel and Panama's underworld that nearly cost him his life. He is president of KYC Solutions, a company that provides speaking, training, consulting and expert witness services globally.*