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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

September 15, 2009

The Honorable Barack Obama
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

At the upcoming G-20 summit in Pittsburgh, the G-20 leaders may address, among other matters, the issue of imposing sanctions against tax haven jurisdictions that refuse to cooperate with international tax enforcement efforts.

The Organization for Economic Cooperation and Development (OECD) has advocated for many years establishing a system of sanctions on uncooperative tax havens. I hope the United States will help lead this effort as the next step in international efforts to combat offshore tax abuse. One way to advance this effort would be for the United States to propose as a possible sanction the approach taken in Section 102 of the Stop Tax Havens Abuse Act, S. 506, which you have endorsed as President and cosponsored as a Senator last Congress. Section 102 would establish a legal mechanism enabling the United States to take a range of measures against a foreign financial institution or jurisdiction which the Treasury Secretary determines is impeding U.S. tax enforcement, including, in appropriate cases, by prohibiting U.S. financial institutions from doing business with that financial institution or jurisdiction.

The United States already successfully uses this approach to combat money laundering, and it could be equally effective in curbing offshore tax abuse. If such a mechanism were in place and a tax haven bank refused, for example, to cooperate with requests for information about U.S. clients using the bank to hide assets and evade tax obligations, the United States could prohibit U.S. financial institutions from doing business with that bank until it provided the requested information. This ban would be even more effective if other G-20 countries had similar legal mechanisms in place and could extend the ban across international lines.

I hope you will consider having the United States promote this possible sanction for uncooperative tax havens at the upcoming Pittsburgh summit. Thank you for your consideration.

Sincerely,



Carl Levin
Chairman
Permanent Subcommittee on Investigations

cc: The Honorable Timothy Geithner
Secretary of the Treasury