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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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October 19, 2016

The Honorable Jacob Lew
Secretary of Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable John Koskinen
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Secretary Lew and Commissioner Koskinen:

I am writing to request information about the Treasury Department's efforts to combat tax abuse by anonymous shell companies. As Ranking Member of the Senate Finance Committee, I have become increasingly concerned about the use of anonymous shell companies as vehicles for financial crime. It is critical to determine whether our government has the right tools to discern legitimate businesses from criminal enterprises, and to identify what additional measures might be needed to fight financial crime.

This spring, news reports surrounding the release of the "Panama Papers" highlighted the opaque dealings of anonymous shell companies around the world. While many shell companies serve legitimate purposes, press accounts have accused some of being vehicles for tax evasion or possible money laundering. Furthermore, there have been a number of examples of anonymous shell companies being used for illicit crime, from the network of shell companies used by Viktor Bout to sell weapons, to shell companies doing business with entities designated by the Office of Foreign Assets Control as subject to U.S. sanctions, to the use of shell companies by drug cartels to facilitate opioid trafficking. I am interested in better understanding the ability of the Treasury Department and the Internal Revenue Service to identify and monitor these types of illegal activities and the shell entities used to carry them out.

Journalists with access to the Panama Papers have compiled and publicly published information related to the names and locations of shell companies created by Mossack Fonseca, the Panama-based firm behind the Panama Papers transactions.¹ Information from this publicly available

¹ <https://panamapapers.icij.org/>

database, as well as from our own inquiry in the matter, is attached to this letter. To assist our review of this matter, please provide the following information:

1. *For each of the business entities identified in Attachment A and Attachment B, please provide the following information.*
 - a) How many business entities have Federal Employer Identification Numbers (EINs)?
 - b) How many business entities or individuals had tax liabilities in each of the past three years? What was the cumulative amount?
 - c) How many business entities or individuals had unpaid tax liabilities in each of the past three years? What was the cumulative amount?
 - d) Of the entities in Attachment A that have obtained EINs, how many have listed the same registration agent in Attachment A as the entity's "Responsible Party" on lines 7a and 7b of form SS-4?
 - e) Of the entities that have obtained EINs, how many unique Responsible Parties have been identified to the IRS? Of the entities that have obtained EINs, how many have listed a business entity as their Responsible Party? Please break out these answers by Attachment A, Attachment B, and total.
 - f) Of the entities in Attachment A that have obtained EINs, how many have listed the same registration agent in Attachment A as the entity's "Executor, administrator, trustee, "care of" name" on line 3 of form SS-4?
 - g) Of the entities that have obtained EINs, how many unique individuals have been identified to the IRS on line 3 of the SS-4? How many entities left line 3 blank? Please break out these answers by Attachment A, Attachment B, and total.
2. *For each of the organizations identified in Attachment A, please provide the following information.*
 - a) How many business entities have filed a Form 114 with FinCEN (FBAR)?
 - b) Of the business entities that have filed a Form 114, how many entities answered Yes on line 14a? Of the entities that completed Part II, what is the average number of financial accounts reported? Of the entities that completed Part III, what was the average number of financial accounts reported? How many entities answered Yes on line 14b? Of the entities that completed Part IV, what was the average number of accounts reported?
 - c) Are any of the business entities required to file a Form 8938 (Statement of Specified Foreign Financial Assets)?
 - d) Please describe the penalty for failing to file a Form 114 or Form 8938.
3. In 2011, the IRS and the Nevada Secretary of State established a Corporate Ownership Fraud Task Force to investigate registered Nevada business entities that were suspected of being involved in illegal activities including tax evasion, money laundering, securities violations, and the marketing of shell or shelf companies of fraudulent and/or deceptive purposes.

- a) How many business entities were reviewed by the task force? What were the findings of this task force? Did any criminal or civil prosecutions result from the work of the task force? If so, please describe each such prosecution. Did any legislative or regulatory changes occur as a result of the task force's findings?
- b) Please provide any formal report issued by the task force. If the IRS formed any similar tasks forces in any other states since 2010, please provide the above information or each of those states.

We appreciate your prompt attention to these important questions, and request a response by November 9, 2016. If you have any questions, please have your staff contact Dan Goshorn at (202) 224-4515.

Sincerely,



Ron Wyden

Ranking Member