

Jack Blum: A large number of taxpayers turned out to be among the group that Lichtenstein was harbouring. There were Americans, there were Americans with a criminal record, there were Americans who had very significant amounts of money hidden away in Liechtenstein.

Naomi Fowler: This is the Corruption Diaries from the Tax Justice Network. I'm Naomi Fowler.

Jack Blum: The question of corporate evasion is something that was brought up in a big way by the Permanent Investigation Subcommittee, which began to really dig into some of the corporate records and bring it up.

Naomi Fowler: Jack Blum's crusade against financial secrecy and tax havens was reaching across more and more international borders. And the IRS was getting better and better at dealing with information on tax abuse.

Jack Blum: A lot of it began to come from whistleblowers and from others who put that information on the table. But now I need to go back and explain that one of the developments that was very central to this was that in 2007 and 8, IRS began to implement a well, a piece of legislation that created a rewards program for people who turned in to IRS tax cheating, and that was individual or corporate. Now, the rewards program wasn't the world's greatest in that it didn't pay the reward until, uh, after the IRS collected the tax and all of the appeals by the taxpayer, the time for all of the appeals had expired. So, it could take a very long time from the time of turning over the information until getting the reward to get paid.

Secondly, there was no provision to protect the informant. So, if the informant was working for a corporation or doing something in a sensitive industry obviously they'd target the informant and he'd be out of a job and probably blackballed. That is the flaw in, in the IRS program, but now we got to the point where, uh, several people turned up rather serendipitously who were less interested in reward, but then the motive for informants is always mixed, and one of the more important informants is a guy who was a client of mine, a man named Heinrich Heber, a citizen of Liechtenstein, who had been hired by LGT Bank, a bank owned by the royal family in Liechtenstein, and his job was to computerize and digitize all of the records of the bank and the trust company. He got involved in a personal dispute with the royal family, particularly the ruler. The ruler is an absolute monarch, one of the few remaining absolute monarchs in the world. And he decided to help himself to the records of the trust company and the bank, and show how it was being used for tax evasion. The biggest set of tax evaders in the bank turned out to be German, and the first government that benefited from the disclosure was the German government, where there had been many, many, prominent Germans who had accounts in Liechtenstein which were undeclared to the German tax authorities.

The Lichtenstein people were infuriated. They called him a criminal, they said he violated the bank secrecy laws of Lichtenstein. They put out a red notice on him. A red notice is where they call him a wanted criminal and notify Interpol and say that he has to be stopped and arrested at any border and so forth. And now he started to give this information to a number of other governments, including the U.S. government and that was when he got to the U.S. government that he was referred to me to help him with his claims for a reward and to help

him navigate the difficulty of protecting himself from the Liechtensteiners and whoever else might be after him. And in fact, that turned out to be a problem because at one point, a notice went up on the web that said that anybody who murdered him would be given 10 million. And we tried desperately to track down who had posted that notice. And it had been done very skillfully through a number of cut out servers and it wasn't at all clear. But what was clear was that the poor man's life was very much in jeopardy.

He actually spent time doing what I had been doing actually, which is teaching the Americans how the system worked in Liechtenstein and how the bankers sold their services. So he said one of the things that was the case, and he, he actually testified to this, was that the customers would be told the bankers had telephone numbers, but many of the telephone numbers were for countries, most of them, were for countries other than Liechtenstein. So, if anybody looked at their records, the cell phone that he, they would be calling would be a cell phone from France or from Italy or wherever, and it wouldn't appear that it would be to a bank in Liechtenstein. And that was one of the ways to protect the secrecy.

But then there was one case, and there was actually documentation in the file, that showed that a member of the royal family was actually part of a sales team and had gone out and said, well, you don't have to worry about secrecy because we're absolute monarchy and we, the royal family, own the bank and we'll protect anybody against a foreign inquiry. Well, it turned out that wasn't quite what happened, and they couldn't protect, but boy, they were hopping mad about the disclosure.

There were a substantial number of whistleblowers who came forward. There was a whistleblower in the UBS case, there were whistleblowers in a number of situations with different Swiss banks, a whistleblower with respect to Baer Bank. There were a series of whistleblowers who stepped forward and the program has produced a very significant amount of revenue. The difficulty is that the only way IRS can really get to the bottom of some of the whistleblower disclosures is that if somebody approaches IRS with the case pretty well made and with the documentation in hand, and the requirements are that at least two million dollars in tax were not paid and that, that there's clear documentation that shows that this was tax cheating, so the whistleblowers have to be producing this stuff so that IRS can follow up and make the case. But these cases are all terribly complicated even with that on the table. And the unfortunate thing is that in recent years a large number of people who had the experience and who worked on these projects have retired. And there's a completely new crowd, and it all has to be built up from scratch all over again.

Naomi Fowler: The Corruption Diaries is a production of The Tax Justice Network, made by Naomi Fowler and Jo Barratt. Interviews with Jack Blum were recorded over several days at Jack's home in Maryland by Zoe Sullivan.